Home Federal Bancorp, Inc. of Louisiana
Form 10-K
September 21, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2017
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______________ to _________________.

Commission File Number 001-35019

HOME FEDERAL BANCORP, INC. OF LOUISIANA
(Exact name of registrant as specified in its charter)

Louisiana	02-0815311
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
624 Market Street, Shreveport, Louisiana	71101
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (318) 222-1145

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock (par value $.01 per share)	Nasdaq Stock

Market,
LLC

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 5(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "emerging growth company" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No		Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
The aggregate value of the 1,356,741 shares of Common Stock of the Registrant issued and outstanding on December 31, 2016 which excludes an aggregate of 598,298 shares held by all directors and executive officers of the Registrant, the Registrant's Employee Stock Ownership Plan ("ESOP"), the Recognition and Retention Plan Trust ("RRP") and Employees' Savings and Profit Sharing Plan ("401(k) Plan") as a group was $36.4 million. This figure is based on the closing sales price of $26.86 per share of the Registrant's Common Stock on December 31, 2016, the last business day of the Registrant's second fiscal quarter. Although directors and executive officers, the ESOP, RRP and 401(k) Plan were assumed to be "affiliates" of the Registrant for purposes of this calculation, the classification is not to be interpreted as an admission of such status.
Number of shares of Common Stock outstanding as of September 19, 2017: 1,927,053

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the Definitive Proxy Statement for the 2017 Annual Meeting of Shareholders are incorporated into Part III, Items 10 through 14.

Home Federal Bancorp Inc. of Louisiana
Form 10-K
For the Year Ended June 30, 2017

PART I.

PART II.

PART III.

PART I

Item 1. Business

Home Federal Bancorp, Inc. of Louisiana, a Louisiana chartered corporation ("Home Federal Bancorp" or the "Company"), is the holding company for Home Federal Bank ("Home Federal Bank" or the "Bank"). Home Federal Bank is a federally chartered stock savings bank originally organized in 1924 as Home Building and Loan Association. The Bank reorganized into the mutual holding company structure in January 2005 and changed its name to "Home Federal Bank" in 2009 as part of its business strategy to be recognized as a community bank. Home Federal Bank's main office and six full service branch offices are located in Shreveport and Bossier City, Louisiana and serve the Shreveport-Bossier City metropolitan area. Home Federal Bank's business primarily consists of attracting deposits from the general public and using those funds to originate loans.

As of June 30, 2017, Home Federal Bancorp's only business activities are to hold all of the outstanding common stock of Home Federal Bank. Home Federal Bancorp is authorized to pursue other business activities permitted by applicable laws and regulations for savings and loan holding companies, which may include the issuance of additional shares of common stock to raise capital or to support mergers or acquisitions and borrowing funds for reinvestment in Home Federal Bank.

Home Federal Bancorp does not own or lease any property but instead uses the premises, equipment, and furniture of Home Federal Bank. At the present time, Home Federal Bancorp employs only persons who are officers of Home Federal Bank to serve as officers of Home Federal Bancorp and may also use the support staff of Home Federal Bank from time to time. These persons are not separately compensated by Home Federal Bancorp.

Pursuant to the regulations under Sections 23A and 23B of the Federal Reserve Act, Home Federal Bank and Home Federal Bancorp have entered into an expense sharing agreement. Under this agreement, Home Federal Bancorp will reimburse Home Federal Bank for the time that employees of Home Federal Bank devote to activities of Home Federal Bancorp, the portion of the expense of the annual independent audit attributable to Home Federal Bancorp, and all expenses attributable to Home Federal Bancorp's public filing obligations under the Securities Exchange Act of 1934.

Market Area

Our primary market area for loans and deposits is in northwest Louisiana, particularly Caddo Parish and neighboring communities in Bossier Parish, which are located in the Shreveport-Bossier City metropolitan statistical area.

Shreveport and Bossier City are located in northern Louisiana on Interstate 20, approximately fifteen miles from the Texas state border and 185 miles east of Dallas, Texas. Our primary market area has a diversified economy with employment in services, government, and wholesale/retail trade constituting the basis of the local economy, with service jobs being the largest component. The majority of the services are health care related as Shreveport has become a regional hub for health care. The casino gaming industry also supports a significant number of the service jobs. The energy sector has a prominent role in the regional economy, resulting from oil and gas exploration and drilling.

Competition. We face significant competition both in attracting deposits and in making loans. Our most direct competition for deposits has come historically from commercial banks, credit unions, and other savings institutions located in our primary market area, including many large financial institutions which have greater financial and marketing resources available to them. In addition, we face significant competition for investors' funds from short-term money market securities, mutual funds, and other corporate and government securities. We do not rely upon any individual group or entity for a material portion of our deposits. Our ability to attract and retain deposits depends on our ability to generally provide a rate of return, liquidity, and risk comparable to that offered by competing investment opportunities.

Our competition for real estate loans comes principally from mortgage banking companies, commercial banks, other savings institutions, and credit unions. We compete for loan originations primarily through the interest rates and loan fees we charge and the efficiency and quality of services we provide borrowers. Factors which affect competition include general and local economic conditions, current interest rate levels, and volatility in the mortgage markets. Competition may increase as a result of the continuing reduction of restrictions on the interstate operations of financial institutions.

Lending Activities

General. At June 30, 2017, our net loan portfolio amounted to $312.8 million, representing approximately 73.3% of total assets at that date. Historically, our principal lending activity was the origination of one-to-four family residential loans. At June 30, 2017, one-to-four family residential loans amounted to $125.3 million, or 39.6% of the total loan portfolio. Commercial real estate loans amounted to $77.9 million, or 24.6% of the total loan portfolio, at June 30, 2017.

The types of loans that we may originate are subject to federal and state laws and regulations. Interest rates charged on loans are affected principally by the demand for such loans, the supply of money available for lending purposes, and the rates offered by our competitors. These factors are, in turn, affected by general and economic conditions, the monetary policy of the federal government, including the Federal Reserve Board, legislative and tax policies, and governmental budgetary matters.

A savings institution generally may not make loans to one borrower and related entities in an amount which exceeds 15% of its unimpaired capital and surplus, although loans in an amount equal to an additional 10% of unimpaired capital and surplus may be made to a borrower, if the loans are fully secured by readily marketable securities. In addition, upon application, the Office of the Comptroller of the Currency permits a savings institution to lend up to an additional 15% of unimpaired capital and surplus to one borrower to develop domestic residential housing units. At June 30, 2017, our regulatory limit on loans to one borrower was $7.4 million, and the five largest loans or groups of loans to one borrower, including related entities, aggregated $5.1 million, $4.8 million, $4.6 million, $4.3 million and $4.3 million. Each of our five largest loans or groups of loans was originated with strong guarantor support to known borrowers in our market area and was performing in accordance with its terms at June 30, 2017.

Loans to or guaranteed by general obligations of a state or political subdivision are not subject to the foregoing lending limits.

Loan Portfolio Composition. The following table shows the composition of our loan portfolio by type of loan at the dates indicated.

	June 30, 2017		2016		2015		2014		2013	
	Amount	Percent of Total Loans	Amount	Percent of Total Loans	Amount	Percent of Total Loans	Amount	Percent of Total Loans	Amount	Percent of Total Loans
	(Dollars in thousands)									
Real estate loans:										
One-to-four family residential(1)	$125,306	39.57 %	$118,035	40.17 %	$103,332	38.11 %	$89,545	36.96 %	$73,243	35.11
Commercial – real estate secured:										
Owner occupied	51,749	16.34	47,425	16.14	38,280	14.12	29,210	12.06	25,523	12.24
Non-owner occupied	26,196	8.27	21,772	7.41	23,800	8.78	27,056	11.17	25,646	12.30
Total commercial-real	77,945	24.61	69,197	23.55	62,080	22.90	56,266	23.23	51,169	24.54

estate secured										
Multi-family residential	21,281	6.72	20,661	7.03	15,246	5.62	20,368	8.41	19,587	9.39
Land	25,038	7.91	24,308	8.27	19,866	7.33	19,945	8.23	15,589	7.47
Construction	9,529	3.01	14,442	4.92	17,620	6.50	12,505	5.16	16,937	8.12
Home equity loans and second mortgage loans	1,710	0.54	1,526	0.52	2,460	0.91	2,563	1.06	2,305	1.11
Equity lines of credit	20,976	6.62	17,290	5.88	22,187	8.18	14,950	6.17	12,592	6.04
Total real estate loans	281,785	88.98	265,459	90.34	242,791	89.55	216,142	89.22	191,422	91.78
Commercial business	34,429	10.87	27,886	9.49	28,019	10.33	25,749	10.63	16,776	8.04
Consumer non-real estate loans:										
Savings accounts	420	0.13	404	0.14	209	0.08	255	0.11	259	0.12
Consumer loans	63	0.02	86	0.03	110	0.04	111	0.04	128	0.06
Total non-real estate loans	34,912	11.02	28,376	9.66	28,338	10.45	26,115	10.78	17,163	8.22
Total loans	316,697	100.00%	293,835	100.00%	271,129	100.00%	242,257	100.00%	208,585	100.0
Less:										
Allowance for loan losses	(3,729)		(2,845)		(2,515)		(2,396)		(2,240)	
Deferred loan fees	(196)		(163)		(187)		(298)		(266)	
Net loans receivable(1)	$312,772		$290,827		$268,427		$239,563		$206,079	

(1) Does not include loans held-for-sale amounting to $13.6 million, $11.9 million, $14.2 million, $9.4 million and $3.5 million at June 30, 2017, 2016, 2015, 2014, and 2013, respectively.

Origination of Loans. Our lending activities are subject to written underwriting standards and loan origination procedures established by the board of directors and management. When applicable, loans originated are also subject to the underwriting standards of Fannie Mae, Freddie Mac, HUD, VA, USDA, and correspondent banks that purchase loans we originate. Loan originations are obtained through a variety of sources, primarily from existing customers, local realtors, and builders. Written loan applications are taken by one of our loan officers. The loan officer also supervises the procurement of credit reports, income and asset documentation, and other documentation involved with a loan. All appraisals are ordered through an approved appraisal management company in compliance with the Dodd-Frank Consumer Protection Act. Under our lending policy, a title insurance policy is required on most mortgage loans, with the exception of certain smaller loan amounts where our policy requires a title opinion only. We also require fire and extended coverage casualty insurance in order to protect the properties securing the real estate loans. Borrowers must also obtain flood insurance policies when the property is in a flood hazard area.

Our loan approval process is intended to assess the borrower's ability to repay the loan, the viability of the loan, and the value of the property that will secure the loan. All residential loans originated for sale to FNMA or other investor banks that receive an Approve-Eligible recommendation on the automated underwriting feedback certificate that is applicable for each loan type must be approved by a Bank mortgage underwriter. Loans that do not receive an Approve-Eligible recommendation must be approved by a Bank mortgage underwriter and the Senior Vice President of Mortgage. In addition, all loans originated to be held on the Bank's portfolio must be approved by a Bank mortgage underwriter and the Senior Vice President of Mortgage for loans up to $500,000, and for loans up to $1.0 million by the Senior Credit Officer. Commercial real estate secured loans and lines of credit and commercial business loans up to $1.0 million must be approved by the Senior Credit Officer or the President/Chief Executive Officer or the Chairman of the Board, up to $2.0 million by two of the following three officers, Senior Credit Officer, President/Chief Executive Officer, Chairman of the Board, and in excess of $2.0 million by the Executive Committee. In accordance with past practice, all loans are ratified by our board of directors.

In the past, we purchased loans from a mortgage originator secured by single-family housing primarily located in predominantly rural areas of Texas and to a lesser extent, Tennessee, Arkansas, Alabama, Louisiana, and Mississippi. We have not purchased any such mortgage loans since fiscal 2008. The loans were generally secured by rural properties and the seller retained servicing rights. Although the loans were originated with fixed-rates, Home Federal Bank receives an adjustable-rate of interest equal to the Federal Housing Finance Board rate, with rate floors and ceilings of approximately 5.0% and 8.0%, respectively. Under the terms of the loan agreements, the seller must repurchase any loan that becomes more than 90 days delinquent. At June 30, 2017, we had approximately $6.6 million of such loans in our portfolio with an average contractual remaining term of approximately 12.5 years.

In recent periods, we have originated and sold a substantial amount of our fixed-rate conforming mortgages to correspondent banks. For the year ended June 30, 2017, we originated $127.2 million of one-to-four family residential loans and sold $111.2 million of such loans. Our residential loan originations primarily consist of rural development, FHA, and VA loans.

The following table shows total loans originated, sold, and repaid during the periods indicated.

	Year Ended June 30,		
	2017	2016	2015
	(In thousands)		
Loan originations:			
One-to-four family residential	$127,233	$115,449	$103,052
Commercial — real estate secured:			
Owner occupied	64,522	48,076	69,849
Non-owner occupied	8,313	8,169	5,307
Multi-family residential	2,979	5,914	3,035
Commercial business	51,183	33,092	48,309
Land	11,081	8,302	7,176
Construction	28,809	19,538	26,920
Home equity loans and lines of credit and other consumer	10,587	9,351	8,974
Total loan originations	304,707	247,891	272,622
Loans purchased	--	--	--
Total loan originations and loans purchased	304,707	247,891	272,622
Loans Sold	(111,171)	(101,295)	(86,806)
Loan principal repayments	(165,177)	(126,172)	(152,117)
Total loans sold and principal repayments	(276,348)	(227,467)	(238,923)
Increase (decrease) due to other items, net(1)	(6,414)	1,976	(4,835)
Net increase in loan portfolio	$21,945	$22,400	$28,864

(1) Other items consist of deferred loan fees, the allowance for loan losses, and loans held-for-sale at year end.

Although federal laws and regulations permit savings institutions to originate and purchase loans secured by real estate located throughout the United States, we concentrate our lending activity in our primary market area in Caddo and Bossier Parishes, Louisiana and the surrounding area. Subject to our loans-to-one borrower limitation, we are permitted to invest without limitation in residential mortgage loans and up to 400% of our capital in loans secured by non-residential or commercial real estate. We also may invest in secured and unsecured consumer loans in an amount not exceeding 35% of total assets. This 35% limitation may be exceeded for certain types of consumer loans, such as home equity and property improvement loans secured by residential real property. In addition, we may invest up to 10% of our total assets in secured and unsecured loans for commercial, corporate, business, or agricultural purposes. At June 30, 2017, we were within each of the above lending limits.

During fiscal 2017 and 2016, we sold $111.2 million and $101.3 million of loans, respectively. We recognized gain on sale of loans of $2.8 million during fiscal 2017 and $2.5 million during fiscal 2016. Loans were sold during these periods primarily to other financial institutions. Such loans were sold against forward sales commitments with servicing released and without recourse after a certain period of time, typically 90 days. The loans sold primarily consisted of long-term, fixed rate residential real estate loans. These loans were originated during this period of historically low interest rates and were sold to reduce our interest rate risk. We will continue to sell loans in the future to the extent we believe the interest rate environment is unfavorable and interest rate risk is unacceptable.

Contractual Terms to Final Maturities. The following table shows the scheduled contractual maturities of our loans as of June 30, 2017, before giving effect to net items. Demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts are reported as due in one year or less. The amounts shown below do not take into account loan prepayments.

	One-to-Four Family Residential	Commercial Real Estate Secured	Multi Family Residential	Commercial Business	Land	Construction	Home Equity Loans and Lines of Credit and Other Consumer	Total
	(In thousands)							
Amounts due after June 30, 2017 in:								
One year or less	$16,375	$ 14,089	$ 324	$ 13,234	$13,615	$ 9,332	$ 6,024	$72,993
After one year through two years	5,947	11,000	6,321	5,578	5,717	197	3,535	38,295
After two years through three years	5,732	6,590	722	4,354	2,882	--	1,653	21,934
After three years through five years	24,187	20,566	1,224	8,154	1,935	--	157	56,223
After five years through ten years	8,310	23,155	8,630	3,109	889	--	845	44,938
After ten years through fifteen years	8,248	2,545	2,084	--	--	--	10,859	23,736
After fifteen years	56,507	--	1,976	--	--	--	96	58,579
Total	$125,306	$ 77,945	$ 21,281	$ 34,429	$25,038	$ 9,529	$ 23,169	$316,697

The following table sets forth the dollar amount of all loans at June 30, 2017, before net items, due after June 30, 2018, which have fixed interest rates or which have floating or adjustable interest rates.

	Fixed-Rate	Floating or Adjustable-Rate	Total
		(In thousands)	
One-to-four family residential	$ 100,830	$ 8,101	$108,931
Commercial — real estate secured	60,149	3,707	63,856
Multi-family residential	18,195	2,762	20,957
Commercial business	15,744	5,451	21,195
Land	6,402	5,021	11,423
Construction	197	--	197
Home equity loans and lines of credit and other consumer	1,733	15,412	17,145
Total	$ 203,250	$ 40,454	$243,704

Scheduled contractual maturities of loans do not necessarily reflect the actual expected term of the loan portfolio. The average life of mortgage loans is substantially less than their average contractual terms because of prepayments. The average life of mortgage loans tends to increase when current mortgage loan rates are higher than rates on existing mortgage loans and, conversely, decrease when rates on current mortgage loans are lower than existing mortgage loan rates (due to refinancing of adjustable-rate and fixed-rate loans at lower rates). Under the latter circumstance, the weighted average yield on loans decreases as higher yielding loans are repaid or refinanced at lower rates.

One-to-Four Family Residential Real Estate Loans. At June 30, 2017, $125.3 million, or 39.6%, of the total loan portfolio, before net items, consisted of one-to-four family residential loans.

The loan-to-value ratios, maturities, and other provisions of the loans made by us generally have reflected the policy of making less than the maximum loan permissible under applicable regulations, in accordance with sound lending practices, market conditions, and underwriting standards established by us. Our current lending policy on one-to-four family residential loans generally limits the maximum loan-to-value ratio to 90% or less of the appraised value of the property, although we will lend up to a 100% loan-to-value ratio with private mortgage insurance. These loans are amortized on a monthly basis with principal and interest due each month, terms not in excess of 30 years, and generally include "due-on-sale" clauses.

At June 30, 2017, $101.7 million, or 81.2%, of our one-to-four family residential mortgage loans were fixed-rate loans. Fixed-rate loans generally have maturities ranging from 15 to 30 years and are fully amortizing with monthly loan payments sufficient to repay the total amount of the loan with interest by the end of the loan term. Our fixed-rate loans generally are originated under terms, conditions, and documentation which permit them to be sold to U.S. Government-sponsored agencies, such as the Federal Home Loan Mortgage Corporation and other investors in the secondary mortgage market. Consistent with our asset/liability management, we have sold a significant portion of our long-term, fixed rate loans. Servicing is released on all loans sold except those loans sold to FNMA. Home Federal Bank's servicing portfolio was $36.2 million at June 30, 2017.

Although we offer adjustable rate loans, substantially all of the single-family loan originations over the last few years have consisted of fixed-rate loans due to the low interest rate environment. The adjustable-rate loans held in portfolio typically have interest rates which adjust on an annual basis. These loans generally have an annual cap of 1% on any increase or decrease and a cap of 6% above or below the initial rate over the life of the loan. Such loans are underwritten based on the initial rate plus 2%. At June 30, 2017, $23.6 million, or 18.8%, of our one-to-four family residential mortgage loans were adjustable rate loans.

Commercial Real Estate Secured Loans. As of June 30, 2017, Home Federal Bank had outstanding $77.9 million of loans secured by commercial real estate, $51.7 million, or 66.4%, of which were owner occupied. It is the current policy of Home Federal Bank to lend in a first lien position on real property occupied as a commercial business property. Home Federal Bank offers fixed and variable rate commercial real estate loans. Home Federal Bank's commercial real estate loans are limited to a maximum of 85% of the appraised value and have terms up to 15 years, however, the terms are generally no more than five years with amortization periods of 20 years or less. It is our policy that commercial real estate secured lines of credit are limited to a maximum of 85% of the appraised value of the property and shall not exceed three to five year amortizations.

Multi-Family Residential Loans. At June 30, 2017, we had outstanding approximately $21.3 million of multi-family residential loans. Our multi-family residential loan portfolio includes income producing properties of 50 or more units and low income housing developments. We obtain personal guarantees on all properties other than those of the public housing authority for which they are not permitted.

Commercial Business Loans. At June 30, 2017, we had outstanding approximately $34.4 million of non-real estate secured commercial loans. The business lending products we offer include lines of credit, inventory financing, and equipment loans. Commercial business loans and lines of credit carry more credit risk than other types of commercial loans. We attempt to limit such risk by making loans predominantly to small- and mid-sized businesses located within our market area and having the loans personally guaranteed by the principals involved. We have established underwriting standards in regard to business loans which set forth the criteria for sources of repayment, borrower's capacity to repay, specific financial and collateral margins, and financial enhancements such as guarantees. The primary source of repayment is cash flow from the business and the general financial strength of the borrower.

Land Loans. As of June 30, 2017, land loans were $25.0 million, or 7.9%, of the total loan portfolio, before net items. Land loans include land which has been acquired for the purpose of development and unimproved land. Our loan policy provides for loan-to-value ratios of 50% for unimproved land loans. Land loans are originated with fixed rates and terms up to five years with longer amortizations. Although land loans generally are considered to have greater credit risk than certain other types of loans, we expect to mitigate such risk by requiring personal guarantees and identifying other secondary sources of repayment for the land loan other than the sale of the collateral. It is our practice to only originate a limited amount of loans for speculative development to borrowers with whom our lenders have a prior relationship.

Construction Loans. At June 30, 2017, we had outstanding approximately $9.5 million of construction loans which included loans for the construction of residential and commercial property. Our residential construction loans typically have terms of six to twelve months with a takeout letter from Home Federal for the permanent mortgage. Our commercial construction loans include owner occupied commercial properties, pre-sold property, and speculative office property. As of June 30, 2017, we held $2.7 million of speculative construction loans.

Home Equity and Second Mortgage Loans. At June 30, 2017, we held $1.7 million of home equity and second mortgage loans. These loans are secured by the underlying equity in the borrower's residence. We do not require that we hold the first mortgage on the properties that secure the second mortgage loans. The amount of our second mortgage loans generally cannot exceed a loan-to-value ratio of 90% after taking into consideration the first mortgage loan. These loans are typically three-to-five year balloon loans with fixed rates and terms that will not exceed 10 years and contain an on-demand clause that allows us to call the loan in at any time.

Equity Lines of Credit. We offer lines of credit secured by a borrower's equity in real estate. These loans amounted to $21.0 million, or 6.6% of the total loan portfolio, before net items, at June 30, 2017. The unused portion of equity lines was $9.9 million at June 30, 2017. The rates and terms of such lines of credit depend on the history and income of the borrower, purpose of the loan, and collateral. Lines of credit will not exceed 90% of the value of the equity in the collateral.

Consumer Non-Real Estate Loans. We are authorized to make loans for a wide variety of personal or consumer purposes. We originate consumer loans primarily in order to accommodate our customers. The consumer loans at June 30, 2017 consist of loans secured by deposit accounts with us, automobile loans, overdraft, and other unsecured loans.

Consumer non-real estate loans generally have shorter terms and higher interest rates than residential mortgage loans and generally entail greater credit risk than residential mortgage loans, particularly those loans secured by assets that depreciate rapidly, such as automobiles, boats, and recreational vehicles. In such cases, repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan, and the remaining deficiency often does not warrant further substantial collection efforts against the borrower. In particular, amounts realizable on the sale of repossessed automobiles may be significantly reduced based upon the condition of the automobiles and the fluctuating demand for used automobiles. We had no automobile loans at June 30, 2017.

We offer loans secured by deposit accounts held with us. These loans amounted to $420,000, or 0.13% of the total loan portfolio, before net items, at June 30, 2017. Such loans are originated for up to 100% of the account balance, with a hold placed on the account restricting the withdrawal of the account balance. The interest rate on the loan is equal to the interest rate paid on the account plus 2%. These loans typically are payable on demand with a maturity date of one year.

Loan Origination and Other Fees. In addition to interest earned on loans, we generally receive loan origination fees or "points" for originating loans. Loan points are a percentage of the principal amount of the mortgage loan and are charged to the borrower in connection with the origination of the loan. In accordance with accounting guidance, loan origination fees and points are deferred and amortized into income as an adjustment of yield over the life of the loan.

Asset Quality

General. During fiscal 2017, we engaged a third party to review loans, policies, and procedures. The scope of the services provided included credit underwriting, adherence to our loan policies, as well as regulatory policies, and recommendations regarding reserve allocations. We expect these reviews will be done annually.

Our collection procedures provide that when a loan is 10 days past due personal contact efforts are attempted, either in person or by telephone. At 15 days past due, a late charge notice is sent to the borrower requesting payment. If the loan is still past due at 30 days, a formal letter is sent to the borrower stating that the loan is past due and that legal action, including foreclosure proceedings, may be necessary. If a loan becomes 60 days past due and no progress has been made in resolving the delinquency, a collection letter from legal counsel is sent and personal contact is attempted. When a loan continues in a delinquent status for 90 days or more, and a repayment schedule has not been made or kept by the borrower, generally a notice of intent to foreclose is sent to the borrower. If the delinquency is not cured, foreclosure proceedings are initiated. In most cases, deficiencies are cured promptly. While we generally prefer to work with borrowers to resolve such problems, we will institute foreclosure or other collection proceedings, when necessary, to minimize any potential loss.

Loans are placed on non-accrual status when management believes the probability of collection of interest is doubtful. When a loan is placed on non-accrual status, previously accrued but unpaid interest is deducted from interest income. We generally discontinue the accrual of interest income when the loan becomes 90 days past due, as to principal or interest, unless the credit is well secured and we believe we will fully collect.

Real estate and other assets we acquire as a result of foreclosure or by deed-in-lieu of foreclosure are classified as real estate owned until sold. At June 30, 2016, we had no real estate owned. At June 30, 2017, we had one residential lot acquired through foreclosure with a carrying value of $540,000.

Delinquent Loans. The following table shows the delinquencies in our loan portfolio as of the dates indicated.

	June 30, 2017				2016			
	30-89 Days Overdue		90 or More Days Overdue		30-89 Days Overdue		90 or More Days Overdue	
	Number of Loans	Principal Balance	Number of Loans	Principal Balance	Number of Loans	Principal Balance	Number of Loans	Principal Balance
	(Dollars in thousands)							
One-to-four family residential	23	$ 2,000	6	$662	37	$ 4,320	2	$ 114
Commercial — real estate secured	--	--	--	--	--	--	--	--
Multi-family residential	--	--	--	--	--	--	--	--
Commercial business	1	8	15	2,503	--	--	--	--
Land	--	--	--	--	1	555	--	--
Construction	--	--	--	--	--	--	--	--
Home equity loans and lines of credit and other consumer	3	194	1	4	3	93	--	--
Total delinquent loans	27	$ 2,202	22	$3,169	41	$ 4,968	2	$ 114
Delinquent loans to total net loans		0.70 %		1.01 %		1.71 %		0.04 %
Delinquent loans to total loans		0.70 %		1.00 %		1.69 %		0.04 %

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Non-Performing Assets. The following table shows the amounts of our non-performing assets (defined as non-accruing loans, accruing loans 90 days or more past due, and real estate owned) at the dates indicated. We had one troubled debt restructuring included in non-accrual loans at June 30, 2013. At June 30, 2016, we had nine commercial business loans to one borrower totaling $2.0 million that were identified as troubled debt restructurings, were performing in accordance with their modified terms, and were accruing interest. At June 30, 2017, the nine commercial business loans to one borrower identified as troubled debt restructurings in 2016 were included in non-accrual loans.

	June 30,				
	2017	2016	2015	2014	2013
	(Dollars in thousands)				
Non-accruing loans:					
One-to-four family residential	$317	$13	$13	$151	$386
Commercial — real estate secured	--	--	--	--	--
Multi-family residential	--	--	--	--	--
Commercial business	2,503	--	--	--	--
Land	--	--	--	--	--
Construction	--	--	--	--	--
Home equity loans and lines of credit and other consumer	--	--	--	27	27
Total non-accruing loans	2,820	13	13	178	413
Accruing loans 90 days or more past due:					
One-to-four family residential	181	101	67	13	236
Commercial — real estate secured	--	--	--	--	--
Multi-family residential	--	--	--	--	--
Commercial business	--	--	--	--	--
Land	--	--	--	--	--
Construction	--	--	--	--	--
Home equity loans and lines of credit and other consumer	4	--	--	--	--
Total non-performing loans(1)	3,005	114	80	191	649
Real estate owned, net	540	--	40	--	--
Total non-performing assets	$3,545	$114	$120	$191	$649
Troubled debt restructurings (2)	--	1,990	--	--	--
Total non-performing assets and troubled debt restructurings	$3,545	$2,104	$120	$191	$649
Total non-performing loans as a percent of loans, net	0.96 %	0.04 %	0.03%	0.07%	0.31%
Total non-performing assets as a percent of total assets	0.83 %	0.03 %	0.03%	0.05%	0.23%
Total non-performing assets and troubled debt restructurings as a percentage of total assets	0.83 %	0.55 %	0.03%	0.05%	0.23%

(1) Non-performing loans consist of non-accruing loans plus accruing loans 90 days or more past due.
(2) Troubled debt restructurings not included in non-accruing loans and accruing loans 90 days or more past due.

Property securing a residential lot loan was foreclosed on during the quarter ended March 31, 2017 and booked as real estate owned for $540,000, representing ninety percent of the appraisal value of $600,000. A charge-off was posted to the allowance for loan losses in the amount of $15,500, which was the difference between the loan balance and the $540,000 posted to real estate owned.

During the year ended June 30, 2017, the Bank had an aggregate of $4.7 million of troubled debt restructurings consisting of interest rate and payment term modifications on four commercial real estate loans to two borrowers. The four commercial real estate loans secured by ninety one-to-four family residential rental properties were acquired by dation (deed in lieu of foreclosure) during the quarter ended March 31, 2017 and posted to real estate owned with a carrying value of $1.9 million. These ninety properties had been disposed of as of June 30, 2017, with a gain of $54,000 recognized during the fourth quarter.

During the quarter ended December 31, 2016, we became aware that one of two related borrowers of the fifteen commercial business loans in the aggregate amount of $2.8 million that were classified as substandard filed for Chapter 11 (reorganization) bankruptcy protection during that period. We received principal payments in March 2017 for $272,000 and May 2017 for $10,000 reducing our exposure to $2.5 million and expect to continue to receive future monthly adequate protection payments. These loans continue to be classified as substandard, are 90 days or more past due, and are on non-accrual at June 30, 2017. We are continuing to monitor these credits and presently believe that our allowance for loan losses at June 30, 2017 is adequate. No additional losses are currently anticipated with respect to these loans.

Classified Assets. Federal regulations require that each insured savings institution classify its assets on a regular basis. In addition, in connection with examinations of insured institutions, federal examiners have authority to identify problem assets and, if appropriate, classify them. There are three classifications for problem assets: "substandard", "doubtful", and "loss". Substandard assets have one or more defined weaknesses and are characterized by the distinct possibility that the insured institution will sustain some loss, if the deficiencies are not corrected. Doubtful assets have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values questionable, and there is a higher possibility of loss. An asset classified as loss is considered uncollectible and of such little value that continuance as an asset of the institution is not warranted. Another category designated "special mention" also must be established and maintained for assets which do not currently expose an insured institution to a sufficient degree of risk to warrant classification as substandard, doubtful, or loss. Assets classified as substandard or doubtful require the institution to establish general allowances for loan losses. If an asset, or portion thereof, is classified as loss, the insured institution must either establish specific allowances for loan losses in the amount of 100% of the portion of the asset classified loss, or charge-off such amount. General loss allowances established to cover possible losses related to assets classified substandard or doubtful may be included in determining an institution's regulatory capital, while specific valuation allowances for loan losses do not qualify as regulatory capital. Federal examiners may disagree with an insured institution's classifications and amounts reserved. At June 30, 2017, we held $723,000 of assets designated as special mention and $3.3 million classified as substandard. The classified assets are related to six residential mortgage loans, one commercial real estate loan, fifteen commercial business loans to one borrower, one construction loan, and one land loan. There were no loans classified as doubtful or loss at June 30, 2017.

Allowance for Loan Losses. At June 30, 2017, our allowance for loan losses amounted to $3.7 million. The allowance for loan losses is maintained at a level believed, to the best of our knowledge, to cover all known and inherent losses in the portfolio, both probable and reasonable, to be estimated at each reporting date. The level of allowance for loan losses is based on our periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing conditions. We are primarily engaged in originating single-family residential loans. Our management considers the deficiencies of all classified loans in determining the amount of allowance for loan losses required at each reporting date. Our management analyzes the probability of the correction of the substandard loans' weaknesses and the extent of any known or inherent losses that we might sustain on them. During the fiscal year 2017, we recorded a provision for loan losses of $900,000, as compared to $271,000 recorded for fiscal year 2016. The 2017 provision reflects our estimate to maintain the allowance for loan losses at a level to cover probable losses inherent in the loan portfolio.

The provision for fiscal year 2017 reflects the risks associated with our commercial lending (both real estate secured and non-real estate secured), as well as other risks in our portfolio. Total non-performing loans increased by approximately $2.9 million as of June 30, 2017 compared to June 30, 2016.

While management believes that it determines the size of the allowance based on the best information available at the time, the allowance will need to be adjusted as circumstances change and assumptions are updated. Future adjustments to the allowance could significantly affect net income.

The following table shows changes in our allowance for loan losses during the periods presented. We had $30,000, $181,000, $12,000 and $16,000 of loan charge-offs during fiscal 2017, 2015, 2014 and 2013, respectively. There were no loan charge-offs during fiscal 2016. Bad debt recoveries amounted to $14,000 during fiscal 2017.

	June 30,				
	2017	2016	2015	2014	2013
	(Dollars in thousands)				

Total loans outstanding at end of period	$316,697	$293,835	$271,129	$242,257	$208,585
Average loans outstanding	312,132	287,405	269,408	224,463	197,812
Allowance for loan losses, beginning of period	2,845	2,515	2,396	2,240	1,698
Provision for loan losses	900	271	300	168	558
Recoveries	14	59	--	--	--
Charge-offs	(30)	--	(181)	(12)	(16)
Allowance for loan losses, end of period	$3,729	$2,845	$2,515	$2,396	$2,240
Allowance for loan losses as a percent of non-performing loans	123.65 %	2,501.99 %	3,143.75 %	1,254.45 %	345.15 %
Allowance for loan losses as a percent of loans outstanding	1.18 %	0.97 %	0.93 %	0.99 %	1.07 %

The following table shows how our allowance for loan losses is allocated by type of loan at each of the dates indicated.

	June 30, 2017		2016		2015		2014		2013	
	Amount of Allowance	Loan Category as a % of Total Loans	Amount of Allowance	Loan Category as a % of Total Loans	Amount of Allowance	Loan Category as a % of Total Loans	Amount of Allowance	Loan Category as a % of Total Loans	Amount of Allowance	Loan Category as a % of Total Loans
	(Dollars in thousands)									
One-to-four family residential	$1,822	39.57 %	$1,517	40.17 %	$1,195	38.11 %	$1,224	36.96 %	$1,023	35.11 %
Commercial – real estate secured	353	24.61	321	23.55	415	22.90	464	23.23	338	24.54
Multi-family residential	73	6.72	111	7.03	103	5.62	128	8.41	103	9.39
Commercial business	979	10.87	444	9.49	305	10.33	202	10.63	412	8.04
Land	203	7.91	201	8.27	154	7.33	168	8.23	127	7.47
Construction	147	3.01	126	4.92	146	6.50	105	5.16	146	8.12
Home equity loans and lines of credit and other consumer	152	7.31	125	6.57	197	9.21	105	7.38	91	7.33
Total	$3,729	100.00 %	$2,845	100.00 %	$2,515	100.00 %	$2,396	100.00 %	$2,240	100.00 %

Investment Securities

We have authority to invest in various types of securities, including mortgage-backed securities, U.S. Treasury obligations, securities of various federal agencies and of state and municipal governments, certificates of deposit at federally insured banks and savings institutions, certain bankers' acceptances, and federal funds. Our investment strategy is established by the board of directors.

The following table sets forth certain information relating to our investment securities portfolio at the dates indicated.

	June 30, 2017		2016		2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)					
Securities Held-to-Maturity:						
Mortgage-backed securities	$25,558	$25,190	$--	$--	$--	$--
FNBB stock	250	250	250	250	250	250
FHLB stock	2,549	2,549	2,099	2,099	1,760	1,760
Total Securities Held-to-Maturity	28,357	27,989	2,349	2,349	2,010	2,010
Securities Available-for-Sale:						
Mortgage-backed securities	37,468	36,935	50,045	50,173	44,733	44,885

Total Investment Securities	$65,825	$64,924	$52,394	$52,522	$46,743	$46,895

The following table sets forth the amount of investment securities which contractually mature during each of the periods indicated and the weighted average yields for each range of maturities at June 30, 2017. The amounts reflect the fair value of our securities at June 30, 2017.

	Amounts at June 30, 2017 which Mature in							
	One Year or Less	Weighted Average Yield	Over One Year Through Five Years	Weighted Average Yield	Over Five Through Ten Years	Weighted Average Yield	Over Ten Years	Weighted Average Yield
	(Dollars in thousands)							
Bonds and other debt securities:								
Mortgage-backed securities	$11	1.95 %	$ 61	4.37 %	$ 43	1.93 %	$62,010	1.98 %
Equity securities(1):								
FNBB stock	--	--	--	--	--	--	250	1.13 %
FHLB stock	--	--	--	--	--	--	2,549	1.65 %
Total investment securities and bank stock	$11	1.95 %	$ 61	4.37 %	$ 43	1.93 %	$64,809	2.55 %

(1) None of the listed equity securities has a stated maturity.

Our investment in equity securities consists primarily of FHLB stock and shares of First National Bankers Bankshares, Inc. ("FNBB"). Management monitors its investment portfolio to determine whether any investment securities which have unrealized losses should be considered other than temporarily impaired.

Mortgage-backed securities represent a participation interest in a pool of one-to-four family or multi-family mortgages. The mortgage originators use intermediaries (generally U.S. Government agencies and government-sponsored enterprises) to pool and repackage the participation interests in the form of securities, with investors receiving the principal and interest payments on the mortgages. Such U.S. Government agencies and government-sponsored enterprises guarantee the payment of principal and interest to investors.

Mortgage-backed securities are typically issued with stated principal amounts, and the securities are backed by pools of mortgages that have loans with interest rates that are within a range and have varying maturities. The underlying pool of mortgages, i.e., fixed-rate or adjustable-rate, as well as prepayment risk, are passed on to the certificate holder. The life of a mortgage-backed pass-through security approximates the life of the underlying mortgages.

Our mortgage-backed securities consist of Ginnie Mae securities ("GNMA"), Freddie Mac securities ("FHLMC"), and Fannie Mae securities ("FNMA"). Ginnie Mae is a government agency within the Department of Housing and Urban Development, which is intended to help finance government-assisted housing programs. Ginnie Mae securities are backed by loans insured by the Federal Housing Administration or guaranteed by the Veterans Administration. The timely payment of principal and interest on Ginnie Mae securities is guaranteed by Ginnie Mae and backed by the full faith and credit of the U.S. Government. Freddie Mac is a private corporation chartered by the U.S. Government. Freddie Mac issues participation certificates backed principally by conventional mortgage loans. Freddie Mac guarantees the timely payment of interest and the ultimate return of principal on participation certificates. Fannie Mae is a private corporation chartered by the U.S. Congress with a mandate to establish a secondary market for mortgage loans. Fannie Mae guarantees the timely payment of principal and interest on Fannie Mae securities. Freddie Mac and Fannie Mae securities are not backed by the full faith and credit of the U.S. Government. In September 2008, the Federal Housing Finance Agency was appointed as conservator of Fannie Mae and Freddie Mac. The

U.S. Department of the Treasury agreed to provide capital, as needed, to ensure that Fannie Mae and Freddie Mac continue to provide liquidity to the housing and mortgage markets.

Mortgage-backed securities generally yield less than the loans which underlie such securities because of their payment guarantees or credit enhancements, which offer nominal credit risk. In addition, mortgage-backed securities are more liquid than individual mortgage loans and may be used to collateralize our borrowings or other obligations.

The following table sets forth the composition of our mortgage-backed securities portfolio at each of the dates indicated. The amounts reflect the fair value of our mortgage-backed securities at June 30, 2017, 2016, and 2015.

	June 30,		
	2017	2016	2015
	(In thousands)		
Fixed rate:			
GNMA	$32	$41	$50
FHLMC	8,781	10,698	147
FNMA	45,110	27,108	27,596
Total fixed rate	53,923	37,847	27,793
Adjustable rate:			
GNMA	8,098	12,116	16,744
FHLMC	67	96	137
FNMA	37	114	211
Total adjustable-rate	8,202	12,326	17,092
Total mortgage-backed securities	$62,125	$50,173	$44,885

Information regarding the contractual maturities and weighted average yield of our mortgage-backed securities portfolio at June 30, 2017 is presented below. Due to repayments of the underlying loans, the actual maturities of mortgage-backed securities generally are substantially less than the scheduled maturities. The amounts reflect the fair value of our mortgage-backed securities at June 30, 2017.

	Amounts at June 30, 2017 which Mature in								
	One Year or Less	Weighted Average Yield		Over One through Five Years	Weighted Average Yield		Over Five Years	Weighted Average Yield	
	(In thousands)								
Fixed rate:									
GNMA	$--	--	%	$ 21	8.88	%	$11	7.85	%
FHLMC	--	--		--	--		8,781	1.55	
FNMA	--	--		--	--		45,110	2.34	
Total fixed-rate	--	--	%	21	8.88	%	53,902	2.21	%
Adjustable rate:									
GNMA	$--	--	%	$ --	--	%	$8,098	0.39	%
FHLMC	3	1.61		13	1.83		51	2.21	
FNMA	8	2.06		27	2.05		2	2.14	
Total adjustable-rate	11	1.95	%	40	1.98	%	8,151	0.40	
Total	$11	1.95	%	$ 61	4.37	%	$62,053	1.97	%

The following table sets forth the purchases, sales, and principal repayments of our mortgage-backed securities during the periods indicated.

	At or For the Year Ended June 30,		
	2017	2016	2015

	(Dollars in thousands)		
Mortgage-backed securities at beginning of period	$50,046	$44,733	$48,173
Purchases	27,234	16,722	9,843
Repayments	(14,218)	(11,392)	(11,263)
Sales	--	--	(1,954)
Amortizations of premiums and discounts, net	(36)	(17)	(66)
Mortgage-backed securities at end of period	$63,026	$50,046	$44,733
Weighted average yield at end of period	1.98 %	1.77 %	1.90 %

Sources of Funds

General. Deposits are our primary source of funds for lending and other investment purposes. In addition to deposits, principal and interest payments on loans and investment securities are a source of funds. Loan repayments are a relatively stable source of funds, while deposit inflows and outflows are significantly influenced by general interest rates and money market conditions. Borrowings may also be used on a short-term basis to compensate for reductions in the availability of funds from other sources and on a longer-term basis for general business purposes.

Deposits. We attract deposits principally from residents of Louisiana and particularly from Caddo and Bossier Parishes. Deposit account terms vary, with the principal differences being the minimum balance required, the time periods the funds must remain on deposit, and the interest rate. We utilize brokered certificates of deposit as a component of our strategy for lowering the overall cost of funds. The brokered certificates of deposit are callable by Home Federal Bank after twelve months. At June 30, 2017 and 2016, we had $11.5 million and $8.2 million, respectively, in brokered certificates of deposit.

We establish interest rates paid, maturity terms, service fees, and withdrawal penalties on a periodic basis. Management determines the rates and terms based on rates paid by competitors, the need for funds or liquidity, growth goals, and federal regulations. We attempt to control the flow of deposits by pricing our accounts to remain generally competitive with other financial institutions in the market area.

The following table shows the distribution of, and certain other information relating to, our deposits by type of deposit, as of the dates indicated.

	June 30, 2017		2016		2015	
	Amount	Percent of Total Deposits	Amount	Percent of Total Deposits	Amount	Percent of Total Deposits
	(Dollars in thousands)					
Certificate accounts:						
0.00% - 0.99%	$28,293	8.60 %	$46,544	16.17 %	$57,103	19.95 %
1.00% - 1.99%	123,037	37.39	70,606	24.53	68,242	23.84
2.00% - 2.99%	11,306	3.44	14,961	5.20	15,943	5.57
3.00% - 3.99%	--	--	386	0.13	4,684	1.64
Total certificate accounts	162,636	49.43	132,497	46.03	145,972	51.00
Transaction accounts:						
Passbook savings	35,050	10.65	29,033	10.09	18,435	6.44
Non-interest bearing demand accounts	54,420	16.54	39,280	13.65	45,024	15.73
NOW accounts	34,500	10.48	37,761	13.12	31,214	10.90
Money market	42,439	12.90	49,251	17.11	45,593	15.93
	166,409	50.57	155,325	53.97	140,266	49.00

Total transaction accounts						
Total deposits	$329,045	100.00 %	$287,822	100.00 %	$286,238	100.00 %

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The following table shows the average balance of each type of deposit and the average rate paid on each type of deposit for the periods indicated.

	Year Ended June 30, 2017			2016			2015		
	Average Balance	Interest Expense	Average Rate Paid	Average Balance	Interest Expense	Average Rate Paid	Average Balance	Interest Expense	Average Rate Paid
	(Dollars in thousands)								
Passbook savings	$33,441	$160	0.48 %	$23,993	$92	0.38 %	$14,762	$34	0.23 %
NOW accounts	34,701	189	0.54	35,797	283	0.79	29,821	228	0.76
Money market	45,615	147	0.32	47,953	149	0.31	43,770	141	0.32
Certificates of deposit	145,445	1,860	1.28	141,160	1,805	1.28	133,605	1,831	1.37
Total interest-bearing deposits	259,202	2,356	0.91	248,903	2,329	0.94	221,958	2,234	1.01
Non-Interest bearing demand accounts	$51,311	$--	-- %	$43,100	$--	-- %	$40,428	$--	-- %
Total deposits	$310,513	$2,356	0.76 %	$292,003	$2,329	0.80 %	$262,386	$2,234	0.85 %

The following table shows our deposit flows during the periods indicated.

	Year Ended June 30, 2017	2016	2015
	(In thousands)		
Net deposits (withdrawals)	$38,952	$(205)	$12,274
Interest credited	2,271	1,789	1,669
Total increase in deposits	$41,223	$1,584	$13,943

The following table presents, by various interest rate categories and maturities, the amount of certificates of deposit at June 30, 2017.

	Balance at June 30, 2017 Maturing in the 12 Months Ending June 30,				
Certificates of Deposit	2018	2019	2020	Thereafter	Total
	(In thousands)				
0.00% - 0.99%	$26,001	$1,524	$768	$ --	$28,293
1.00% - 1.99%	42,287	28,966	32,909	18,875	123,037
2.00% - 2.99%	200	1,611	2,655	6,840	11,306
3.00% - 3.99%	--	--	--	--	--
Total certificate accounts	$68,488	$32,101	$36,332	$ 25,715	$162,636

The following table shows the maturities of our certificates of deposit of $100,000 or more at June 30, 2017 by time remaining to maturity.

	Amount	Weighted Average Rate	
	(Dollars in thousands)		
September 30, 2017	$8,459	0.65	%
December 31, 2017	10,353	0.97	
March 31, 2018	17,879	1.11	
June 30, 2018	13,897	1.13	
After June 30, 2018	62,624	1.64	
Total certificates of deposit with balances of $100,000 or more	$113,212	1.36	%

Borrowings. We may obtain advances from the Federal Home Loan Bank of Dallas upon the security of the common stock we own in that bank and certain of our residential mortgage loans and mortgage-backed and other investment securities, provided certain standards related to creditworthiness have been met. These advances are made pursuant to several credit programs, each of which has its own interest rate and range of maturities. Federal Home Loan Bank advances are generally available to meet seasonal and other withdrawals of deposit accounts and to permit increased lending.

As of June 30, 2017, we were permitted to borrow up to an aggregate total of $205.5 million from the Federal Home Loan Bank of Dallas. We had $48.9 million and $47.7 million of Federal Home Loan Bank advances outstanding at June 30, 2017 and 2016, respectively. Additionally, at June 30, 2017, Home Federal Bank was a party to a Master Purchase Agreement with First National Bankers Bank whereby Home Federal Bank may purchase Federal Funds from First National Bankers Bank in an amount not to exceed $15.5 million. There were no amounts purchased under this agreement as of June 30, 2017. At June 30, 2017, Home Federal Bancorp had available a $3.0 million line of credit agreement with First National Bankers Bank, maturing June 21, 2018. The line is secured by 100 shares of Home Federal Bank's common stock and bears interest at the Prime Rate, which is currently 4.25% per annum. At June 30, 2017, there were no amounts drawn on the line of credit.

The following table shows certain information regarding our borrowings at or for the dates indicated:

	At or For the Year Ended June 30,		
	2017	2016	2015
	(Dollars in thousands)		
FHLB advances:			
Average balance outstanding	$46,918	$30,277	$40,858
Maximum amount outstanding at any month-end during the period	56,715	47,665	49,030
Balance outstanding at end of period	48,907	47,665	38,411
Average interest rate during the period	0.92 %	0.87 %	0.60 %
Weighted average interest rate at end of period	1.30 %	0.81 %	0.68 %

At June 30, 2017, $37.3 million of our borrowings were short-term (maturities of one year or less). Such short-term borrowings had a weighted average interest rate of 1.17% at June 30, 2017.

The following table shows maturities of Federal Home Loan Bank advances at June 30, 2017 for the years indicated:

Years Ending June 30,	Amount
	(In thousands)
2018	$ 37,270
2019	5,282
2020	5,295
2021	193
2022	35
Thereafter	832
Total	$ 48,907

Subsidiaries

At June 30, 2017, the Company had one subsidiary, Home Federal Bank. The Bank's only subsidiary at such date was Metro Financial Services, Inc., which previously engaged in the sale of annuity contracts and does not currently engage in a meaningful amount of business.

Employees

Home Federal Bank had sixty full-time employees and five part-time employees at June 30, 2017. None of these employees are covered by a collective bargaining agreement, and we believe that we enjoy good relations with our personnel.

REGULATION

Set forth below is a brief description of certain laws relating to the regulation of Home Federal Bancorp and Home Federal Bank. This description does not purport to be complete and is qualified in its entirety by reference to applicable laws and regulations.

General

Home Federal Bank, as a federally chartered savings bank, is subject to federal regulation and oversight by the Office of the Comptroller of the Currency extending to all aspects of its operations. Home Federal Bank also is subject to regulation and examination by the Federal Deposit Insurance Corporation, which insures the deposits of Home Federal Bank to the maximum extent permitted by law, and requirements established by the Federal Reserve Board. Federally chartered savings institutions are required to file periodic reports with the Office of the Comptroller of the Currency and are subject to periodic examinations by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. The investment and lending authority of savings institutions is prescribed by federal laws and regulations, and such institutions are prohibited from engaging in any activities not permitted by such laws and regulations. Such regulation and supervision primarily are intended for the protection of depositors and not for the purpose of protecting shareholders.

Federal law provides the federal banking regulators, including the Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation, with substantial enforcement powers. The Office of the Comptroller of the Currency's enforcement authority over all savings institutions includes, among other things, the ability to assess civil money penalties, to issue cease and desist or removal orders, and to initiate injunctive actions. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with the Office of the Comptroller of the Currency. Any change in these laws and regulations, whether by the Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, or Congress, could have a material adverse impact on Home Federal Bancorp and Home Federal Bank and our operations.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted in 2010, the powers of the Office of Thrift Supervision regarding Home Federal Bank and Home Federal Bancorp transferred to other federal financial institution regulatory agencies on July 21, 2011. See "— 2010 Regulatory Reform." As of the transfer date, all of the regulatory functions related to Home Federal Bank that were under the jurisdiction of the Office of Thrift Supervision transferred to the Office of the Comptroller of the Currency. In addition, as of that same date, all of the regulatory functions related to Home Federal Bancorp, as a savings and loan holding company that were under the jurisdiction of the Office of Thrift Supervision, transferred to the Federal Reserve Board.

2010 Regulatory Reform

On July 21, 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act. The financial reform and consumer protection act imposes new restrictions and an expanded framework of regulatory oversight for financial institutions, including depository institutions. In addition, the new law changed the jurisdictions of existing bank regulatory agencies and in particular transferred the regulation of federal savings associations from the Office of Thrift Supervision to the Office of Comptroller of the Currency, effective July 21, 2011. Savings and loan holding companies are now regulated by the Federal Reserve Board. The new law also established an independent federal consumer protection bureau within the Federal Reserve Board. The following discussion summarizes significant aspects of the law that may affect Home Federal Bank and Home Federal Bancorp. Many regulations implementing these changes have not been promulgated, so we cannot determine the full impact on our business and operations at this time.

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The following aspects of the financial reform and consumer protection act are related to the operations of Home Federal Bank:

The Office of Thrift Supervision merged into the Office of the Comptroller of the Currency, and the authority of the other remaining bank regulatory agencies were restructured. The federal thrift charter is preserved under the jurisdiction of the Office of the Comptroller of the Currency.

A new independent consumer financial protection bureau was established within the Federal Reserve Board empowered to exercise broad regulatory, supervisory, and enforcement authority with respect to both new and existing consumer financial protection laws. However, smaller financial institutions, like Home Federal Bank, are subject to the supervision and enforcement of their primary federal banking regulator with respect to the federal consumer financial protection laws.

Tier 1 capital treatment for "hybrid" capital items like trust preferred securities was eliminated subject to various grandfathering and transition rules.

The prohibition on payment of interest on demand deposits was repealed.

State law is preempted only if it would have a discriminatory effect on a federal savings association or is preempted by any other federal law. The Office of the Comptroller of the Currency must make a preemption determination on a case-by-case basis with respect to a particular state law or other state law with substantively equivalent terms.

Deposit insurance is permanently increased to $250,000.

Deposit insurance assessment base calculation equals the depository institution's total assets minus the sum of its average tangible equity during the assessment period.

The minimum reserve ratio of the Deposit Insurance Fund increased to 1.35 percent of estimated annual insured deposits or assessment base; however, the Federal Deposit Insurance Corporation is directed to "offset the effect" of the increased reserve ratio for insured depository institutions with total consolidated assets of less than $10 billion.

The following aspects of the financial reform and consumer protection act are related to the operations of Home Federal Bancorp:

Authority over savings and loan holding companies transferred to the Federal Reserve Board.

Leverage capital requirements and risk based capital requirements applicable to depository institutions and bank holding companies were extended to thrift holding companies. However, certain smaller savings and loan holding companies, such as Home Federal Bancorp, are exempt from those capital requirements.

The Federal Deposit Insurance Act was amended to direct federal regulators to require depository institution holding companies to serve as a source of strength for their depository institution subsidiaries.

The Securities and Exchange Commission is authorized to adopt rules requiring public companies to make their proxy materials available to shareholders for nomination of their own candidates for election to the board of directors.

Public companies are now required to provide their shareholders with a non-binding vote: (i) at least once every three years on the compensation paid to executive officers and (ii) at least once every six years on whether they should have a "say on pay" vote every one, two, or three years.

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A separate, non-binding shareholder vote is now required regarding golden parachutes for named executive officers when a shareholder vote takes place on mergers, acquisitions, dispositions, or other transactions that would trigger the parachute payments.

Securities exchanges are now required to prohibit brokers from using their own discretion to vote shares not beneficially owned by them for certain "significant" matters, which include votes on the election of directors, executive compensation matters, and any other matter determined to be significant.

> Stock exchanges, which do not include the OTC Bulletin Board, will be prohibited from listing the securities of any issuer that does not have a policy providing for (i) disclosure of its policy on incentive compensation payable on the basis of financial information reportable under the securities laws and (ii) the recovery from current or former executive officers following an accounting restatement triggered by material noncompliance with securities law reporting requirements of any incentive compensation paid erroneously during the three-year period preceding the date on which the restatement was required that exceeds the amount that would have been paid on the basis of the restated financial information.

Disclosure in annual proxy materials will be required concerning the relationship between the executive compensation paid and the financial performance of the issuer.

Item 402 of Regulation S-K will be amended to require companies to disclose the ratio of the Chief Executive Officer's annual total compensation to the median annual total compensation of all other employees.

Smaller reporting companies are exempt from complying with the internal control auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act.

Regulation of Home Federal Bancorp

Home Federal Bancorp, a Louisiana corporation, is a registered savings and loan holding company within the meaning of Section 10 of the Home Owners' Loan Act and is subject to examination and supervision by the Federal Reserve Board, as well as certain reporting requirements. While new capital requirements began to phase in for savings and loan holding companies on January 1, 2015, Home Federal Bancorp is currently exempt from those requirements. In addition, because Home Federal Bank is a subsidiary of a savings and loan holding company, it is subject to certain restrictions in dealing with us and with other persons affiliated with the Bank.

Holding Company Acquisitions. Home Federal Bancorp is a savings and loan holding company under the Home Owners' Loan Act, as amended. Federal law generally prohibits a savings and loan holding company, without prior approval of the Federal Reserve Board, from acquiring the ownership or control of any other savings institution or savings and loan holding company, or all, or substantially all, of the assets, or more than 5% of the voting shares of the savings institution or savings and loan holding company. These provisions also prohibit, among other things, any director or officer of a savings and loan holding company, or any individual who owns or controls more than 25% of the voting shares of such holding company, from acquiring control of any savings institution not a subsidiary of such savings and loan holding company, unless the acquisition is approved by the Federal Reserve Board.

The Federal Reserve Board may not approve any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions: (i) the approval of interstate supervisory acquisitions by savings and loan holding companies and (ii) the acquisition of a savings institution in another state, if the laws of the state of the target savings institution specifically permit such acquisitions. The states vary in the extent to which they permit interstate savings and loan holding company acquisitions.

Holding Company Activities. Home Federal Bancorp operates as a unitary savings and loan holding company and is permitted to engage only in the activities permitted for financial institution holding companies or for multiple savings and loan holding companies. Multiple savings and loan holding companies are permitted to engage in the following activities: (i) activities permitted for a bank holding company under section 4(c) of the Bank Holding Company Act (unless the Federal Reserve Board prohibits or limits such 4(c) activities); (ii) furnishing or performing management services for a subsidiary savings association; (iii) conducting any insurance agency or escrow business; (iv) holding, managing, or liquidating assets owned by or acquired from a subsidiary savings association; (v) holding or managing properties used or occupied by a subsidiary savings association; (vi) acting as trustee under deeds of trust; or (vii) activities authorized by regulation as of March 5, 1987 to be engaged in by multiple savings and loan holding companies. Under the 2010 legislation, savings and loan holding companies became subject to statutory capital requirements. However, in May 2015, amendments to the Federal Reserve Board's small bank holding company policy statement (the "SBHC Policy") became effective. The amendments made the SBHC Policy applicable to savings and loan holding companies, such as Home Federal Bancorp, and increased the asset threshold to qualify to be subject to the provisions of the SBHC Policy from $500 million to $1.0 billion. Savings and loan holding companies that have total assets of $1.0 billion or less are subject to the SBHC Policy and are not required to comply with the regulatory capital requirements set forth in the table below. Such treatment continues until Home Federal Bancorp's total assets exceed $1.0 billion or the Federal Reserve Board deems it to no longer be a small savings and loan holding company.

While there are no specific restrictions on the payment of dividends or other capital distributions for savings and loan holding companies, federal regulations do prescribe such restrictions on subsidiary savings institutions, as described below. Home Federal Bank will be required to notify the Federal Reserve Board 30 days before declaring any dividend. In addition, the financial impact of a holding company on its subsidiary institution is a matter that is evaluated by the Federal Reserve Board, and the agency has authority to order cessation of activities or divestiture of subsidiaries deemed to pose a threat to the safety and soundness of the institution.

All savings associations' subsidiaries of savings and loan holding companies are required to meet a qualified thrift lender, or QTL, test to avoid certain restrictions on their operations. If the subsidiary savings institution fails to meet the QTL, as discussed below, then the savings and loan holding company must register with the Federal Reserve Board as a bank holding company, unless the savings institution requalifies as a QTL within one year thereafter.

Federal Securities Laws. Home Federal Bancorp registered its common stock with the Securities and Exchange Commission under Section 12(b) of the Securities Exchange Act of 1934. Home Federal Bancorp is subject to the proxy and tender offer rules, insider trading reporting requirements and restrictions, and certain other requirements under the Securities Exchange Act of 1934.

The Sarbanes-Oxley Act. As a public company, Home Federal Bancorp is subject to the Sarbanes-Oxley Act of 2002 which addresses, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. As directed by the Sarbanes-Oxley Act, our principal executive officer and principal financial officer are required to certify that our quarterly and annual reports do not contain any untrue statement of a material fact. The rules adopted by the Securities and Exchange Commission under the Sarbanes-Oxley Act have several requirements, including having these officers certify that: they are responsible for establishing, maintaining, and regularly evaluating the effectiveness of our internal control over financial reporting; they have made certain disclosures to our auditors and the audit committee of the Board of Directors about our internal control over financial reporting; and they have included information in our quarterly and annual reports about their evaluation and whether there have been changes in our internal control over financial reporting or in other factors that could materially affect internal control over financial reporting.

Volcker Rule Regulations

Regulations adopted by the federal banking agencies to implement the provisions of the Dodd-Frank Act, commonly referred to as the Volcker Rule, became effective on April 1, 2014 with full compliance being phased in over a period that ended on July 21, 2015. The regulations contain prohibitions and restrictions on the ability of financial institutions holding companies and their affiliates to engage in proprietary trading and to hold certain interests in, or to have certain relationships with, various types of investment funds, including hedge funds and private equity funds. Home Federal Bancorp is in compliance with the various provisions of the Volcker Rule regulations.

Regulation of Home Federal Bank

General. Home Federal Bank is subject to the regulation of the Office of the Comptroller of the Currency, as its primary federal regulator, the Federal Deposit Insurance Corporation, as the insurer of its deposit accounts, and, to a limited extent, the Federal Reserve Board.

Insurance of Accounts. The deposits of Home Federal Bank are insured to the maximum extent permitted by the Deposit Insurance Fund and are backed by the full faith and credit of the U.S. Government. The 2010 financial institution reform legislation permanently increased deposit insurance on most accounts to $250,000. As insurer, the Federal Deposit Insurance Corporation is authorized to conduct examinations of and to require reporting by insured institutions. It also may prohibit any insured institution from engaging in any activity determined by regulation or order to pose a serious threat to the Federal Deposit Insurance Corporation. The Federal Deposit Insurance Corporation also has the authority to initiate enforcement actions against savings institutions after giving the Office of the Comptroller of the Currency an opportunity to take such action.

The Dodd-Frank Act raises the minimum reserve ratio of the Deposit Insurance Fund from 1.15% to 1.35% and requires the Federal Deposit Insurance Corporation to offset the effect of this increase on insured institutions with assets of less than $10 billion (small institutions). In March 2016, the Federal Deposit Insurance Corporation adopted a rule to accomplish this by imposing a surcharge on larger institutions commencing when the reserve ratio reaches 1.15% and ending when it reaches 1.35%. This surcharge period began effective July 1, 2016 and is expected to end by December 31, 2018. Small institutions will receive credits for the portion of their regular assessments that contributed to growth in the reserve ratio between 1.15% and 1.35%. The credits will apply to reduce regular assessments for quarters when the reserve ratio is at least 1.35%.

Effective July 1, 2016, the Federal Deposit Insurance Corporation adopted changes that eliminated its risk-based premium system. Under the new premium system, the Federal Deposit Insurance Corporation assesses deposit insurance premiums on the assessment base of a depository institution, which is its average total assets reduced by the amount of its average tangible equity. For a small institution (one with assets of less than $10 billion) that has been federally insured for at least five years, effective July 1, 2016, the initial base assessment rate ranges from 3 to 30 basis points, based on the institution's CAMELS composite and component ratings and certain financial ratios; its leverage ratio; its ratio of net income before taxes to total assets; its ratio of nonperforming loans and leases to gross assets; its ratio of other real estate owned to gross assets; its brokered deposits ratio (excluding reciprocal deposits if the institution is well capitalized and has a CAMELS composite rating of 1 or 2); its one year asset growth ratio (which penalizes growth adjusted for mergers in excess of 10%); and its loan mix index (which penalizes higher risk loans based on historical industry charge off rates). The initial base assessment rate is subject to downward adjustment (not below 1.5%) based on the ratio of unsecured debt the institution has issued to its assessment base and to upward adjustment (which can cause the rate to exceed 30 basis points) based on its holdings of unsecured debt issued by other insured institutions. Institutions with assets of $10 billion or more are assessed using a scorecard method.

In addition, all institutions with deposits insured by the Federal Deposit Insurance Corporation are required to pay assessments to fund interest payments on bonds issued by the Financing Corporation, a mixed-ownership government corporation established to recapitalize the predecessor to the Deposit Insurance Fund. These assessments will continue until the Financing Corporation bonds mature in 2019.

The Federal Deposit Insurance Corporation may terminate the deposit insurance of any insured depository institution, including Home Federal Bank, if it determines after a hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, order, or any condition imposed by an agreement with the Federal Deposit Insurance Corporation. It also may suspend deposit insurance temporarily during the hearing process for the permanent termination of insurance, if the institution has no tangible capital. If insurance of accounts is terminated, the accounts at the institution at the time of the termination, less subsequent withdrawals, shall continue to be insured for a period of six months to two years, as determined by the Federal Deposit Insurance Corporation. Management is aware of no existing circumstances which would result in termination of Home Federal Bank's deposit insurance.

Recent Regulatory Capital Regulations

In July of 2013, the respective U.S. federal banking agencies issued final rules implementing Basel III and the Dodd-Frank Act capital requirements to be fully-phased in on a global basis on January 1, 2019. The new regulations establish a new tangible common equity capital requirement, increase the minimum requirement for the current Tier 1 risk-weighted asset ("RWA") ratio, phase out certain kinds of intangibles treated as capital and certain types of instruments, and change the risk weightings of certain assets used to determine required capital ratios. Provisions of the Dodd-Frank Act generally require these capital rules to apply to savings and loan holding companies and their savings association subsidiaries. The new common equity Tier 1 capital component requires capital of the highest quality – predominantly composed of retained earnings and common stock instruments. For community banks, such as Home Federal Bank, a common equity Tier 1 capital ratio of 4.5% became effective on January 1, 2015. The new capital rules also increased the current minimum Tier 1 capital ratio from 4.0% to 6.0% beginning on January 1, 2015. In addition, in order to make capital distributions and pay discretionary bonuses to executive officers without restriction, an institution must also maintain greater than 2.5% in common equity attributable to a capital conservation buffer to be phased in from January 1, 2016 until January 1, 2019. The new rules also increase the risk weights for several categories of assets, including an increase from 100% to 150% for certain acquisition, development, and construction loans and more than 90-day past due exposures. The new capital rules maintain the general structure of the prompt corrective action rules but incorporate the new common equity Tier 1 capital requirement and the increased Tier 1 RWA requirement into the prompt corrective action framework.

Under the 2010 legislation, savings and loan holding companies became subject to statutory capital requirements which were implemented by certain of the new capital regulations described above that became effective on January 1, 2015. However, legislation enacted in late 2014 exempts certain small savings and loan holding companies like Home Federal Bancorp from those requirements provided that they meet certain conditions. Regulations have been promulgated to implement the exemption.

Regulatory Capital Requirements. Federally insured savings institutions are required to maintain minimum levels of regulatory capital. Current Office of the Comptroller of the Currency capital standards require savings institutions to satisfy a tangible capital requirement, a common equity Tier 1 capital requirement, a leverage capital requirement and a risk-based capital requirement. The tangible capital must equal at least 1.5% of adjusted total assets. The common equity Tier 1 capital component generally consists of retained earnings and common stock instruments and must equal at least 4.5% of risk-weighted assets. Leverage capital, also known as "core" capital, must equal at least 3.0% of adjusted total assets for the most highly rated savings associations. An additional cushion of at least 100 basis points is required for all other savings associations, which effectively increases their minimum Tier 1 leverage ratio to 4.0% or more. Under the Office of the Comptroller of the Currency's regulation, the most highly-rated banks are those that the Office of the Comptroller of the Currency determines are strong associations that are not anticipating or experiencing significant growth and have well-diversified risk, including no undue interest rate risk exposure, excellent asset quality, high liquidity, and good earnings. Under the risk-based capital requested, "total" capital (a combination of core and "supplementary" capital) must equal at least 8.0% of "risk-weighted" assets. The Office of the Comptroller of the Currency also is authorized to impose capital requirements in excess of these standards on individual institutions on a case-by-case basis.

Core capital generally consists of common stockholders' equity (including retained earnings). Tangible capital generally equals core capital minus intangible assets, with only a limited exception for purchased mortgage servicing rights. Home Federal Bank had no intangible assets at June 30, 2017. Both core and tangible capital are further reduced by an amount equal to a savings institution's debt and equity investments in subsidiaries engaged in activities not permissible to national banks (other than subsidiaries engaged in activities undertaken as agent for customers or in mortgage banking activities and subsidiary depository institutions or their holding companies). These adjustments do not affect Home Federal Bank's regulatory capital.

In determining compliance with the risk-based capital requirement, a savings institution is allowed to include both core capital and supplementary capital in its total capital, provided that the amount of supplementary capital included does not exceed the savings institution's core capital. Supplementary capital generally consists of general allowances for loan losses up to a maximum of 1.25% of risk-weighted assets together with certain other items. In determining the required amount of risk-based capital, total assets, including certain off-balance sheet items, are multiplied by a risk weight based on the risks inherent in the type of assets. The risk weights range from 0% for cash and securities issued by the U.S. Government, or unconditionally backed by the full faith and credit of the U.S. Government, to 100% for loans (other than qualifying residential loans weighted at 80%) and repossessed assets.

Savings institutions must value securities available for sale at amortized cost for regulatory capital purposes. This means that in computing regulatory capital, savings institutions should add back any unrealized losses and deduct any unrealized gains, net of income taxes, on debt securities reported as a separate component of capital as defined by generally accepted accounting principles.

At June 30, 2017, Home Federal Bank exceeded all of its regulatory capital requirements with tangible, common equity Tier 1, core, and risk-based capital ratios of 11.06%, 16.14%, 11.06% and 17.39%, respectively.

Any savings institution that fails any of the capital requirements is subject to possible enforcement actions by the Office of the Comptroller of the Currency or the Federal Deposit Insurance Corporation. Such actions could include a capital directive, a cease and desist order, civil money penalties, the establishment of restrictions on the institution's operations, termination of federal deposit insurance, and the appointment of a conservator or receiver. The Office of the Comptroller of the Currency's capital regulation provides that such actions, through enforcement proceedings or otherwise, could require one or more of a variety of corrective actions.

Prompt Corrective Action. The following table shows the amount of capital associated with the different capital categories set forth in the prompt corrective action regulations.

Capital Category	Total Risk-Based Capital	Tier 1 Risk-Based Capital	Common Equity Tier 1 Capital	Tier 1 Leverage Capital
Well capitalized	10% or more	8% or more	6.5% or more	5% or more
Adequately capitalized	8% or more	6% or more	4.5% or more	4% or more
Undercapitalized	Less than 8%	Less than 6%	Less than 4.5%	Less than 4%
Significantly undercapitalized	Less than 6%	Less than 4%	Less than 3%	Less than 3%

In addition, an institution is "critically undercapitalized" if it has a ratio of tangible equity to total assets that is equal to or less than 2.0%. Under specified circumstances, a federal banking agency may reclassify a well-capitalized institution as adequately capitalized and may require an adequately capitalized institution or an undercapitalized institution to comply with supervisory actions as if it were in the next lower category (except that the Office of the Comptroller of the Currency may not reclassify a significantly undercapitalized institution as critically undercapitalized).

An institution, generally, must file a written capital restoration plan which meets specified requirements within 45 days of the date that the institution receives notice or is deemed to have notice that it is undercapitalized, significantly undercapitalized, or critically undercapitalized. A federal banking agency must provide the institution with written notice of approval or disapproval within 60 days after receiving a capital restoration plan, subject to extensions by the agency. An institution which is required to submit a capital restoration plan must concurrently submit a performance guaranty by each company that controls the institution. In addition, undercapitalized institutions are subject to various regulatory restrictions, and the appropriate federal banking agency also may take any number of discretionary supervisory actions.

At June 30, 2017, Home Federal Bank was deemed a well-capitalized institution for purposes of the prompt corrective action regulations and as such is not subject to the above mentioned restrictions.

Capital Distributions. Office of the Comptroller of the Currency regulations govern capital distributions by savings institutions, which include cash dividends, stock repurchases, and other transactions charged to the capital account of a savings institution to make capital distributions. A savings institution must file an application for Office of the Comptroller of the Currency approval of the capital distribution if either (i) the total capital distributions for the applicable calendar year exceed the sum of the institution's net income for that year to date plus the institution's retained net income for the preceding two years, (ii) the institution would not be at least adequately capitalized following the distribution, (iii) the distribution would violate any applicable statute, regulation, agreement, or Office of the Comptroller of the Currency-imposed condition, or (iv) the institution is not eligible for expedited treatment of its filings. If an application is not required to be filed, savings institutions must still file a notice with the Office of the Comptroller of the Currency at least 30 days before the board of directors declares a dividend or approves a capital distribution if either (i) the institution would not be well-capitalized following the distribution; (ii) the proposed distribution would reduce the amount or retire any part of our common or preferred stock or retire any part of a debt instrument included in our regulatory capital, or (iii) the savings institution is a subsidiary of a savings and loan holding company, and the proposed capital distribution is not a cash dividend. If a savings institution, such as Home Federal Bank, that is the subsidiary of a savings and loan holding company has filed a notice with the Federal Reserve Board for a cash dividend and is not required to file an application or notice with the Office of the Comptroller of the Currency for any of the reasons described above, then the savings institution is only required to provide an informational copy to the Office of the Comptroller of the Currency of the notice filed with the Federal Reserve Board at the same time that it is filed with the Federal Reserve Board.

An institution that either before or after a proposed capital distribution fails to meet its then applicable minimum capital requirement or that has been notified that it needs more than normal supervision may not make any capital distributions without the prior written approval of the Office of the Comptroller of the Currency. In addition, the Office of the Comptroller of the Currency may prohibit a proposed capital distribution, which would otherwise be permitted by Office of the Comptroller of the Currency regulations, if the Office of the Comptroller of the Currency determines that such distribution would constitute an unsafe or unsound practice.

Under federal rules, an insured depository institution may not pay any dividend, if payment would cause it to become undercapitalized, or if it is already undercapitalized. In addition, federal regulators have the authority to restrict or prohibit the payment of dividends for safety and soundness reasons. The Federal Deposit Insurance Corporation also prohibits an insured depository institution from paying dividends on its capital stock or interest on its capital notes or debentures (if such interest is required to be paid only out of net profits) or distributing any of its capital assets while it remains in default in the payment of any assessment due the Federal Deposit Insurance Corporation. Home Federal Bank is currently not in default in any assessment payment to the Federal Deposit Insurance Corporation.

Qualified Thrift Lender Test. All savings institution subsidiaries of savings and loan holding companies are required to meet a qualified thrift lender, or QTL, test to avoid certain restrictions on their operations. A savings institution can comply with the QTL test by either qualifying as a domestic building and loan association as defined in the Internal Revenue Code or meeting the Office of the Comptroller of the Currency QTL test. Currently, the Office of the Comptroller of the Currency QTL test requires that 65% of an institution's "portfolio assets" (as defined) consist of certain housing and consumer-related assets on a monthly average basis in nine out of every 12 months. To be a qualified thrift lender under the IRS test, the savings institution must meet a "business operations test" and a "60 percent assets test," each defined in the Internal Revenue Code.

If a savings association fails to remain a QTL, it is immediately prohibited from the following:

- Making any new investments or engaging in any new activity not allowed for both a national bank and a savings association;
- Establishing any new branch office unless allowable for a national bank; and
- Paying dividends unless allowable for a national bank and necessary to meet the obligations of its holding company.

Any company that controls a savings institution that is not a qualified thrift lender must register as a bank holding company within one year of the savings institution's failure to meet the QTL test. Three years from the date a savings association should have become or ceases to be a QTL, the institution must dispose of any investment or not engage in any activity unless the investment or activity is allowed for both a national bank and a savings association. A savings institution not in compliance with the QTL test is also subject to an enforcement action for violation of the Home Owners' Loan Act, as amended.

At June 30, 2017, Home Federal Bank believes that it meets the requirements of the QTL test.

Community Reinvestment Act. All federal savings associations have a responsibility under the Community Reinvestment Act and related regulations to help meet the credit needs of their communities, including low- and moderate-income neighborhoods. An institution's failure to comply with the provisions of the Community Reinvestment Act could result in restrictions on its activities. Home Federal Bank received a "satisfactory" Community Reinvestment Act rating in its most recently completed examination.

Limitations on Transactions with Affiliates. Transactions between a savings association and any affiliate are governed by Sections 23A and 23B of the Federal Reserve Act as made applicable to savings associations by Section 11 of the Home Owners' Loan Act. An affiliate of a savings association is any company or entity which controls the savings association or that is controlled by a company that controls the savings association. In a holding company context, the holding company of a savings association (such as Home Federal Bancorp) and any companies which are controlled by such holding company are affiliates of the savings association. Generally, Section 23A limits the extent to which the savings association or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of such association's capital stock and surplus and contains an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus. Section 23B applies to "covered transactions" as well as certain other transactions and requires that all transactions be on terms substantially the same, or at least as favorable, to the savings association as those provided to a non-affiliate. The term "covered transaction" includes the making of loans to, purchase of assets from, and issuance of a guarantee to an affiliate and similar transactions. Section 23B transactions also include the provision of services and the sale of assets by a savings association to an affiliate. In addition to the restrictions imposed by Sections 23A and 23B, a savings association is prohibited from (i) making a loan or other extension of credit to an affiliate, except for any affiliate which engages only in certain activities which are permissible for bank holding companies, or (ii) purchasing or investing in any stocks, bonds, debentures, notes, or similar obligations of any affiliate, except for affiliates which are subsidiaries of the savings association.

In addition, Sections 22(g) and (h) of the Federal Reserve Act as made applicable to savings associations by Section 11 of the Home Owners' Loan Act place restrictions on loans to executive officers, directors, and principal shareholders of the savings association and its affiliates. Under Section 22(h), loans to a director, an executive officer, and to a greater than 10% shareholder of a savings association, and certain affiliated interests of either, may not exceed, together with all other outstanding loans to such person and affiliated interests, the savings association's loans to one borrower limit (generally equal to 15% of the association's unimpaired capital and surplus). Section 22(h) also requires that loans to directors, executive officers, and principal shareholders be made on terms substantially the same as offered in comparable transactions to other persons unless the loans are made pursuant to a benefit or compensation program that (i) is widely available to employees of the savings association and (ii) does not give preference to any director, executive officer, or principal shareholder, or certain affiliated interests of either, over other employees of the savings association. Section 22(h) also requires prior board approval for certain loans. In addition, the aggregate amount of extensions of credit by a savings association to all insiders cannot exceed the savings association's unimpaired capital and surplus. Furthermore, Section 22(g) places additional restrictions on loans to executive officers. Home Federal Bank currently is subject to Section 22(g) and (h) of the Federal Reserve Act and at June 30, 2017, was in compliance with the above restrictions.

Incentive Compensation. Guidelines adopted by the federal banking agencies pursuant to the FDIA prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director, or principal stockholder.

In June 2010, the federal banking agencies issued comprehensive guidance on incentive compensation policies (the "Incentive Compensation Guidance") intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The Incentive Compensation Guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. Any deficiencies in compensation practices that are identified may be incorporated into the organization's supervisory ratings, which can affect its ability to make acquisitions or perform other actions. The Incentive Compensation Guidance provides that enforcement actions may be taken against a banking organization if its incentive compensation arrangements or related risk-management control or governance processes pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

In April 2011, the federal banking agencies and the Securities and Exchange Commission jointly published proposed rulemaking designed to implement provisions of the Dodd-Frank Act prohibiting incentive compensation arrangements that would encourage inappropriate risk-taking. Those proposed regulations apply only to a financial institution or its holding company with $1 billion or more of assets. In June 2016, the federal banking agencies and the Securities Exchange Commission published a new proposed rule to revise the 2011 proposal and to implement those provisions.

The scope and content of the U.S. banking regulators' policies on incentive compensation are continuing to develop. It cannot be determined at this time whether a final rule will be adopted, and whether compliance with such a final rule will adversely affect the ability of Home Federal Bancorp and Home Federal Bank to hire, retain, and motivate their key employees.

Regulation of Residential Mortgage Loan Originators. On July 28, 2010, the federal bank regulatory authorities adopted a final rule on the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 ("S.A.F.E. Act"). Under the S.A.F.E. Act, residential mortgage loan originators employed by financial institutions, such as Home Federal Bank, must register with the Nationwide Mortgage Licensing System and Registry, obtain a unique identifier from the registry, and maintain their registration. Any residential mortgage loan originator who fails to satisfy these requirements will not be permitted to originate residential mortgage loans.

Anti-Money Laundering. All financial institutions, including savings associations, are subject to federal laws that are designed to prevent the use of the U.S. financial system to fund terrorist activities. Financial institutions operating in the United States must develop anti-money laundering compliance programs, due diligence policies, and controls to ensure the detection and reporting of money laundering. Such compliance programs are intended to supplement compliance requirements, also applicable to financial institutions, under the Bank Secrecy Act and the Office of Foreign Assets Control Regulations. Home Federal Bank has established policies and procedures to ensure compliance with these provisions.

Federal Home Loan Bank System. Home Federal Bank is a member of the Federal Home Loan Bank of Dallas, which is one of 12 regional Federal Home Loan Banks that administer a home financing credit function primarily for its members. Each Federal Home Loan Bank serves as a reserve or central bank for its members within its assigned region. The Federal Home Loan Bank of Dallas is funded primarily from proceeds derived from the sale of consolidated obligations of the Federal Home Loan Bank System. It makes loans to members (i.e., advances) in accordance with policies and procedures established by the board of directors of the Federal Home Loan Bank. At June 30, 2017, Home Federal Bank had $48.9 million of Federal Home Loan Bank advances and $135.0 million available on its credit line with the Federal Home Loan Bank.

As a member, Home Federal Bank is required to purchase and maintain stock in the Federal Home Loan Bank of Dallas in an amount equal to 0.06% of its total assets. At June 30, 2017, Home Federal Bank had $2.5 million in Federal Home Loan Bank stock, which was in compliance with the applicable requirement.

The Federal Home Loan Banks are required to provide funds for the resolution of troubled savings institutions and to contribute to affordable housing programs through direct loans or interest subsidies on advances targeted for community investment and low- and moderate-income housing projects. These contributions have adversely affected the level of Federal Home Loan Bank dividends paid in the past and could do so in the future. These contributions also could have an adverse effect on the value of Federal Home Loan Bank stock in the future.

Federal Reserve System. The Federal Reserve Board requires all depository institutions to maintain reserves against their transaction accounts (primarily NOW and Super NOW checking accounts) and non-personal time deposits. The required reserves must be maintained in the form of vault cash or an account at a Federal Reserve Bank. At June 30, 2017, Home Federal Bank had met its reserve requirement.

TAXATION

Federal Taxation

General. Home Federal Bancorp and Home Federal Bank are subject to federal income taxation in the same general manner as other corporations with some exceptions listed below. The following discussion of federal and state income taxation is only intended to summarize certain pertinent income tax matters and is not a comprehensive description of the applicable tax rules. Home Federal Bank's tax returns have not been audited during the past five years.

Method of Accounting. For federal income tax purposes, Home Federal Bank reports income and expenses on the accrual method of accounting and used a June 30 tax year in 2017 for filing its federal income tax return.

Bad Debt Reserves. The Small Business Job Protection Act of 1996 eliminated the use of the reserve method of accounting for bad debt reserves by savings associations, effective for taxable years beginning after 1995. Prior to that time, Home Federal Bank was permitted to establish a reserve for bad debts and to make additions to the reserve. These additions could, within specified formula limits, be deducted in arriving at taxable income. As a result of the Small Business Job Protection Act of 1996, savings associations must use the experience method in computing their bad debt deduction beginning with their 1996 federal tax return. In addition, federal legislation required the recapture over a six year period of the excess of tax bad debt reserves at December 31, 1995 over those established as of December 31, 1987.

Taxable Distributions and Recapture. Prior to the Small Business Job Protection Act of 1996, bad debt reserves created prior to January 1, 1988 were subject to recapture into taxable income if Home Federal Bank failed to meet certain thrift asset and definitional tests. New federal legislation eliminated these savings association related recapture rules. However, under current law, pre-1988 reserves remain subject to recapture should Home Federal Bank make certain non-dividend distributions or cease to maintain a bank charter.

At June 30, 2017, the total federal pre-1988 reserve was approximately $3.3 million. The reserve reflects the cumulative effects of federal tax deductions by Home Federal Bank for which no federal income tax provisions have been made.

Alternative Minimum Tax. The Internal Revenue Code imposes an alternative minimum tax at a rate of 20% on a base of regular taxable income plus certain tax preferences. The alternative minimum tax is payable to the extent such alternative minimum tax income is in excess of the regular income tax. Net operating losses, of which Home Federal Bank has none, can offset no more than 90% of alternative minimum taxable income. Certain payments of alternative minimum tax may be used as credits against regular tax liabilities in future years. Home Federal Bank has not been subject to the alternative minimum tax or any such amounts available as credits for carryover.

Corporate Dividends-Received Deduction. Home Federal Bancorp may exclude from its income 100% of dividends received from Home Federal Bank as a member of the same affiliated group of corporations. The corporate dividends received deduction is 80% in the case of dividends received from corporations which a corporate recipient owns less than 80% but at least 20% of the distribution corporation. Corporations which own less than 20% of the stock of a corporation distributing a dividend may deduct only 70% of dividends received.

State and Local Taxation

Home Federal Bancorp is subject to the Louisiana Corporation Income Tax based on our Louisiana taxable income. The Corporation Income Tax applies at graduated rates from 4% upon the first $25,000 of Louisiana taxable income to 8% on all Louisiana taxable income in excess of $200,000. For these purposes, "Louisiana taxable income" means net income which is earned by us within or derived from sources within the State of Louisiana, after adjustments permitted under Louisiana law, including a federal income tax deduction. In addition, Home Federal Bank is subject to the Louisiana Shares Tax which is imposed on the assessed value of a company's stock. The formula for deriving the assessed value is to calculate 15% of the sum of:

(a) 20% of our capitalized earnings, plus

(b) 80% of our taxable stockholders' equity, minus

(c) 50% of our real and personal property assessment.

Various items may also be subtracted in calculating a company's capitalized earnings.

Item 1A. Risk Factors

Not applicable.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We currently conduct business from our four full-service banking offices located in Shreveport, Louisiana and two full-service banking offices located in Bossier City, Louisiana. Our home office is located in Shreveport, Louisiana. The following table sets forth certain information, as of June 30, 2017, relating to Home Federal Bank's offices, two parcels of land for possible future branch offices, and one property acquired for potential future administrative offices which is presently vacant.

Description/Address	Leased/Owned	Net Book Value of Property	Amount of Deposits
		(In thousands)	
Building (Home Office) 222 Florida Street, Shreveport, LA	Owned	$ 1,642	$ --
Building/ATM (Market Street Branch) 624 Market Street, Shreveport, LA	Owned	974	113,116
Building/ATM (Youree Drive Branch) 6363 Youree Drive, Shreveport, LA	Owned (1)	194	103,398
Building/ATM (Mansfield Road Branch) 9300 Mansfield Road., Suite 101, Shreveport, LA	Leased	126	48,194
Building/ATM (Viking Drive Branch) 2555 Viking Drive, Bossier City, LA	Owned	2,699	33,735
Building/ATM (Stockwell Branch) 7964 E. Texas Street, Bossier City, LA	Owned	1,819	20,418
Building/ATM (Northwood Branch) 5841 North Market Street, Shreveport, LA	Owned	1,783	10,184
Building (2) 614 Market Street, Shreveport, LA	Owned	391	--
Lots 1-5, Block 1 Highway 171 South, Stonewall, LA	Owned	765	--
Land 901 Pierremont Road, Shreveport, LA	Owned	1,294	--

(1) The building is owned but the land is subject to an operating lease which was renewed effective December 1, 2008 for a ten-year period.
(2) The building is vacant and available to serve as potential future administrative offices.

Item 3. Legal Proceedings

Home Federal Bancorp and Home Federal Bank are not involved in any pending legal proceedings other than nonmaterial legal proceedings occurring in the ordinary course of business.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Home Federal Bancorp's common stock is traded on the Nasdaq Capital Market under the symbol "HFBL."

Presented below is the high and low sales price information for Home Federal Bancorp's common stock and cash dividends declared for the periods indicated.

Quarter Ended	Stock Price per Share High	Low	Cash Dividends per Share
Fiscal 2017:			
June 30, 2017	$29.89	$24.50	$ 0.09
March 31, 2017	28.95	27.00	0.09
December 31, 2016	27.00	23.52	0.09
September 30, 2016	23.60	21.36	0.09
Fiscal 2016:			
June 30, 2016	$22.55	$21.45	$ 0.08
March 31, 2016	23.25	22.00	0.08
December 31, 2015	25.00	22.34	0.08
September 30, 2015	27.37	20.19	0.08

At September 19, 2017, Home Federal Bancorp had 205 shareholders of record.

The information for all equity based and individual compensation arrangements is incorporated by reference from Item 11 hereof.

(b) Not applicable.

(c) Purchases of Equity Securities.

The Company's repurchases of its common stock made during the quarter ended June 30, 2017 are set forth in the table below, including stock-for-stock option exercises and shares delivered by "attestation" for the exercise of outstanding stock options.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicity Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (a) (b)
April 1, 2017 – April 30, 2017	1,500	$ 27.84	1,500	104,223
May 1, 2017 – May 31, 2017	392	29.30	392	103,831

June 1, 2017 – June 30, 2017	--	--	--	103,831
Total	1,892	$ 28.15	1,892	103,831

Notes to this table:
(a) On December 9, 2015, the Company announced by press release a repurchase program to repurchase up to 102,000 shares or approximately 5.0% of the Company's outstanding shares of common stock. The repurchase program does not have an expiration date.
(b) On October 12, 2016, the Company announced that its Board of Directors approved a seventh stock repurchase program for the repurchase of up to 97,000 shares to commence after the completion of the sixth stock repurchase program. The repurchase program does not have an expiration date.

Item 6. Selected Financial Data

Set forth below is selected consolidated financial and other data of Home Federal Bancorp. The information at or for the years ended June 30, 2017 and 2016 is derived in part from the audited financial statements that appear in this Form 10-K. The information at or for the years ended June 30, 2015, 2014 and 2013 is also derived from audited financial statements that do not appear in this Form 10-K.

	At June 30,				
	2017	2016	2015	2014	2013
	(In thousands)				
Selected Financial and Other Data:					
Total assets	$426,606	$381,701	$369,833	$329,529	$277,155
Cash and cash equivalents	11,905	4,756	21,166	13,633	3,685
Securities available for sale	36,935	50,173	44,885	48,434	47,961
Securities held to maturity	28,357	2,349	2,010	1,765	1,465
Loans held-for-sale	13,631	11,919	14,203	9,375	3,464
Loans receivable, net	312,722	290,827	268,427	239,563	206,079
Deposits	329,045	287,822	286,238	272,295	211,922
Federal Home Loan Bank advances	48,907	47,665	38,411	12,897	21,662
Total Stockholders' equity	46,246	43,392	43,386	42,779	41,982

	As of or for the Year Ended June 30,				
	2017	2016	2015	2014	2013
	(Dollars in thousands, except per share amounts)				
Selected Operating Data:					
Total interest income	$16,892	$15,458	$14,772	$13,173	$13,154
Total interest expense	2,803	2,610	2,481	2,336	2,579
Net interest income	14,089	12,848	12,291	10,837	10,575
Provision for loan losses	900	271	300	168	558
Net interest income after provision for loan losses	13,189	12,577	11,991	10,669	10,017
Total non-interest income	3,893	3,254	2,961	2,340	3,424
Total non-interest expense	11,672	10,810	9,936	8,933	8,683
Income before income tax expense	5,410	5,021	5,016	4,076	4,758
Income tax expense	1,758	1,644	1,661	1,332	1,628
Net income	$3,652	$3,377	$3,355	$2,744	$3,130
Earnings per share of common stock:					
Basic	$2.01	$1.80	$1.70	$1.33	$1.34
Diluted	$1.91	$1.74	$1.65	$1.29	$1.31
Selected Operating Ratios(1):					
Average yield on interest-earning assets	4.44 %	4.46 %	4.52 %	4.76 %	5.05 %
Average rate on interest-bearing liabilities	0.91	0.93	0.94	1.07	1.25
Average interest rate spread(2)	3.53	3.53	3.58	3.69	3.80
Net interest margin(2)	3.70	3.71	3.76	3.92	4.06
Average interest-earning assets to average interest-bearing liabilities	124.16	123.95	124.37	126.91	126.77
Net interest income after provision for loan losses to non-interest expense	113.00	116.35	120.68	119.43	115.36
Total non-interest expense to average assets	2.87	2.92	2.84	3.01	3.14
Efficiency ratio(3)	64.91	67.13	65.14	67.79	62.03
Return on average assets	0.90	0.91	0.96	0.92	1.13

Return on average equity	7.80	7.44	7.45	6.22	6.86
Average equity to average assets	11.49	12.23	12.86	14.84	16.48
Dividend payout ratio	19.31	19.53	18.26	20.08	20.19

(Footnotes on following page)

	As of or for the Year Ended June 30,				
	2017	2016	2015	2014	2013
	(Dollars in thousands, except per share amounts)				
Selected Quality Ratios(4):					
Non-performing loans as a percent of total loans receivable	0.95 %	0.04 %	0.03 %	0.07 %	0.31 %
Non-performing assets as a percent of total assets	0.83	0.03	0.03	0.05	0.23
Allowance for loan losses as a percent of total loans receivable	1.18	0.97	0.93	0.99	1.07
Net charge-offs to average loans receivable	0.01	--	0.07	0.01	0.01
Allowance for loan losses as a percent of non-performing loans	123.65	2,501.99	3,143.75	1,254.45	345.15
Bank Capital Ratios(4):					
Tangible capital ratio	11.06 %	11.81 %	11.81 %	12.74 %	15.16 %
Core capital ratio	11.06	11.81	11.81	12.74	15.16
Total capital ratio	17.39	17.77	18.85	21.35	25.48
Other Data:					
Offices (branch and home)	7	7	6	5	5
Employees (full-time)	60	55	58	46	47

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(1) With the exception of end of period ratios, all ratios are based on average monthly balances during the indicated periods.

(2) Average interest rate spread represents the difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities, and net interest margin represents net interest income as a percentage of average interest-earning assets.

(3) The efficiency ratio represents the ratio of non-interest expense divided by the sum of net interest income and non-interest income.

(4) Asset quality ratios and capital ratios are end of period ratios, except for net charge-offs to average loans receivable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Our profitability depends primarily on our net interest income, which is the difference between interest and dividend income on interest-earning assets, principally loans, investment securities, and interest-earning deposits in other institutions, and interest expense on interest-bearing deposits and borrowings from the Federal Home Loan Bank of Dallas. Net interest income is dependent upon the level of interest rates and the extent to which such rates are changing. Our profitability also depends, to a lesser extent, on non-interest income, provision for loan losses, non-interest expenses, and federal income taxes. Home Federal Bancorp, Inc. of Louisiana had net income of $3.65 million in fiscal 2017 compared to net income of $3.38 million in fiscal 2016.

Our business consists primarily of originating single-family real estate loans secured by property in our market area and to a lesser extent, commercial real estate loans, commercial business loans, and real estate secured lines of credit which typically have higher rates and shorter terms than single-family loans. Although our loans are primarily funded by certificates of deposit, which typically have a higher interest rate than passbook accounts, it is our policy to require commercial customers to have a deposit relationship with us, which primarily consist of NOW accounts. Due to the continued low interest rate environment, we have sold a substantial amount of our fixed rate single-family residential loan originations in recent periods. We have also sold investment securities available-for-sale to realize gains in the portfolio. Because of a decrease in our average rate of return and volume increase of interest earning assets, our net interest margin decreased from 3.71% to 3.70% during fiscal 2017 compared to 2016, and our net interest income increased to $14.1 million for fiscal 2017 as compared to $12.8 million for fiscal 2016. We expect to continue to emphasize consumer and commercial lending in the future in order to improve the yield on our portfolio.

Home Federal Bancorp's operations and profitability are subject to changes in interest rates, applicable statutes and regulations, and general economic conditions, as well as other factors beyond our control.

Business Strategy

Our business strategy is focused on operating a growing and profitable community-oriented financial institution. Our current business strategy includes:

Continuing to Grow and Diversify Our Loan Portfolio. We intend to grow and continue to diversify of loan portfolio by, among other things, emphasizing the origination of commercial real estate and business loans. At June 30, 2017, our commercial real estate loans amounted to $77.9 million, or 24.61% of the total loan portfolio. Our commercial business loans amounted to $34.4 million, or 10.87% of the total loan portfolio. Commercial real estate, commercial business, construction and development, and consumer loans all typically have higher yields and are more interest sensitive than long-term single-family residential mortgage loans.

Diversify Our Products and Services. We intend to continue to emphasize our commercial business products to provide a full-service banking relationship to our commercial customers. We have introduced mobile and Internet banking and remote deposit capture, to better serve our commercial clients. Additionally, we have developed new deposit products focused on expanding our deposit base to new types of customers.

Managing Our Expenses. We have incurred significant additional expenses related to personnel and infrastructure in recent periods as we implemented our business strategy. Our total non-interest expense increased $862,000, or 8.0%, in fiscal 2017 compared to 2016. Our efficiency ratio for 2017 was 64.9% compared to 67.1% for fiscal 2016.

Enhancing Core Earnings. We expect to continue to emphasize commercial real estate and business loans, which generally bear interest rates higher than residential real estate loans, and sell a substantial part of our fixed rate residential mortgage loan originations.

Expanding Our Franchise in our Market Area and Contiguous Communities. We intend to continue to pursue opportunities to expand our market area by opening additional de novo banking offices and possibly through acquisitions of other financial institutions and banking related businesses. We expect to focus on contiguous areas to our current locations in Caddo and Bossier Parishes.

Maintain Our Asset Quality. At June 30, 2017, our non-performing assets totaled $3.5 million, or 0.83% of total assets. We had one parcel of real estate owned with a carrying value of $540,000 at June 30, 2017. We intend to continue to stress maintaining high asset quality, even as we continue to grow our institution and diversity our loan portfolio.

Cross-Selling Products and Services and Emphasizing Local Decision Making. We have promoted cross-selling products and services in our branch offices and emphasized our local decision making and streamlined loan approval process.

Critical Accounting Policies

In reviewing and understanding financial information for Home Federal Bancorp, you are encouraged to read and understand the significant accounting policies used in preparing our consolidated financial statements. These policies are described in Note 1 of the notes to our consolidated financial statements included in Item 8 of this document. Our accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. Accordingly, the consolidated financial statements require certain estimates, judgments, and assumptions, which are believed to be reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the periods presented. The following accounting policies comprise those that management believes are the most critical to aid in fully understanding and evaluating our reported financial results. These policies require numerous estimates or economic assumptions that may prove inaccurate or may be subject to variations which may significantly affect our reported results and financial condition for the period or in future periods.

Allowance for Loan Losses. We have identified the evaluation of the allowance for loan losses as a critical accounting policy where amounts are sensitive to material variation. The allowance for loan losses represents management's estimate for probable losses that are inherent in our loan portfolio but which have not yet been realized as of the date of our consolidated balance sheet. It is established through a provision for loan losses charged to earnings. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. Subsequent recoveries are added to the allowance. The allowance is an amount that management believes will cover known and inherent losses in the loan portfolio based on evaluations of the collectability of loans. The evaluations take into consideration such factors as changes in the types and amount of loans in the loan portfolio, historical loss experience, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, estimated losses relating to specifically identified loans, and current economic conditions. This evaluation is inherently subjective as it requires material estimates including, among others, exposure at default, the amount and timing of expected future cash flows on impacted loans, value of collateral, estimated losses on our commercial and residential loan portfolios, and general amounts for historical loss experience. All of these estimates may be susceptible to significant changes as more information becomes available.

While management uses the best information available to make loan loss allowance evaluations, adjustments to the allowance may be necessary based on changes in economic and other conditions or changes in accounting guidance. Historically, our estimates of the allowance for loan loss have not required significant adjustments from management's initial estimates. In addition, the Office of the Comptroller of the Currency as an integral part of their examination processes periodically reviews our allowance for loan losses. The Office of the Comptroller of the Currency may require the recognition of adjustments to the allowance for loan losses based on their judgment of information available to them at the time of their examinations. To the extent that actual outcomes differ from management's estimates, additional provisions to the allowance for loan losses may be required that would adversely impact earnings in future periods.

Income Taxes. Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various assets and liabilities and gives current recognition to changes in tax rates and laws. Realizing our deferred tax assets principally depends upon our achieving projected future taxable income. We may change our judgments regarding future profitability due to future market conditions and other factors. We may adjust our deferred tax asset balances if our judgments change.

Changes in Financial Condition

Home Federal Bancorp's total assets increased $44.9 million, or 11.8%, to $426.6 million at June 30, 2017 compared to $381.7 million at June 30, 2016. This increase was primarily due to increases in net loans receivable of $21.9 million, investment securities of $12.8 million, cash and cash equivalents of $7.1 million, loans held for sale of $1.7 million, deferred tax asset of $617,000, real estate owned of $540,000, and bank owned life insurance of $145,000. These increases were partially offset by a decrease in premises and equipment of $147,000.

Loans receivable, net increased $21.9 million, or 7.5%, from $290.8 million at June 30, 2016 to $312.8 million at June 30, 2017. The increase in loans receivable, net was attributable primarily to increases in one-to-four family residential loans of $7.3 million, commercial real estate loans of $8.7 million, commercial business loans of $6.5 million, equity lines of credit of $3.7 million, multi-family residential of $620,000 and land loans of $730,000, partially offset by a decrease of $4.9 million in construction loans at June 30, 2017, compared to the prior year period. At June 30, 2017, the balance of purchased loans approximated $6.6 million, which consisted solely of one-to-four family residential loans purchased from a mortgage originator headquartered in Arkansas. We have not purchased any loans since fiscal 2008. In recent years, there have been significant loan prepayments due to the heavy volume of loan refinancing, however, the rate of prepayments has been slowing. With interest rates continuing at historical lows, management is reluctant to invest in long-term, fixed rate mortgage loans for the portfolio and instead sells the majority of the long-term, fixed rate mortgage loan production.

In recent periods we diversified the loan products we offer and increased our efforts to originate higher yielding commercial real estate loans and lines of credit and commercial business loans which were deemed attractive due to their generally higher yields and shorter anticipated lives compared to single-family residential mortgage loans. As of June 30, 2017, Home Federal Bank had $77.9 million of commercial real estate loans, 24.6% of the total loan portfolio, and $34.4 million of commercial business loans, 10.9% of the total loan portfolio. Although commercial loans are generally considered to have greater credit risk than other certain types of loans, we attempt to mitigate such risk by originating such loans in our market area to known borrowers.

Securities available-for-sale decreased $13.2 million, or 26.4%, from $50.2 million at June 30, 2016 to $36.9 million at June 30, 2017. This decrease resulted primarily from normal principal pay downs on mortgage backed securities.

Securities held-to-maturity increased $26.0 million, from $2.3 million at June 30, 2016 to $28.4 million at June 30, 2017. This increase was primarily due to the purchase of $27.2 million of mortgage backed securities, partially offset by normal principal pay downs of $1.2 million on these securities. We chose to place these securities in held-to-maturity as part of our interest rate risk management strategy.

Cash and cash equivalents decreased $7.1 million, or 150.3%, from $4.8 million at June 30, 2016 to $11.9 million at June 30, 2017. The net increase in cash and cash equivalents was primarily attributable to a $5.6 million increase in federal funds sold.

Total liabilities increased $42.1 million, or 12.4%, from $338.3 million at June 30, 2016 to $380.4 million at June 30, 2017 due primarily to an increase of $41.2 million, or 14.3%, in deposits and an increase in advances from the Federal Home Loan Bank of $1.2 million, or 2.6%. The increase in borrowings was primarily used to fund the increase in investment securities at June 30, 2017. The increase in deposits was primarily due to a $6.0 million, or 20.7%, increase in savings accounts from $29.0 million at June 30, 2016 to $35.1 million at June 30, 2017, certificate of deposit accounts increased $30.1 million, or 22.7%, from $132.5 million at June 30, 2016 to $162.6 million at June 30, 2017 and non-interest bearing accounts increased $15.1 million, or 38.5%, from $39.3 million at June 30, 2016 to $54.4 million at June 30, 2017. These increases were partially offset by a decrease of $3.3 million, or 8.6%, in now accounts from $37.8 million at June 30, 2016 to $34.5 million at June 30, 2017 and a decrease of $6.8 million, or 13.8%, in money market deposits from $49.3 million at June 30, 2016 to $42.4 million at June 30, 2017. The increase in certificates of deposit was primarily due to the acquisition of an $8.0 million certificate of deposit from one depositor during the quarter ended March 31, 2017. At June 30, 2017, the Company had $11.5 million in brokered deposits compared to $8.2 million at June 30, 2016. The increase in brokered deposits is due to purchases of $10.0 million in brokered deposits during the year ended June 30, 2017, partially offset by $6.7 million of brokered deposits that had matured during the year. The brokered certificates of deposit which have maturity dates greater than twelve months are callable by Home Federal Bank after twelve months pursuant to early redemption provisions.

Stockholders' equity increased $2.8 million, or 6.6%, to $46.2 million at June 30, 2017 from $43.4 million at June 30, 2016. Increases to stockholders' equity consisted of net income of $3.7 million, the vesting of restricted stock awards, stock options, and the release of employee stock ownership plan shares totaling $927,000, and proceeds from the issuance of common stock from the exercise of stock options of $61,000. These increases were partially offset by dividends paid totaling $705,000, the acquisition of Company stock in the amount of $645,000, and a decrease in the Company's accumulated other comprehensive income of $436,000. The change in accumulated other comprehensive income was primarily due to the change in net unrealized gain or loss on securities available-for-sale. The net unrealized gain or loss on securities available-for-sale is affected by interest rate fluctuations. Generally, an increase in interest rates will have an adverse impact, while a decrease in interest rates will have a positive impact.

Average Balances, Net Interest Income Yields Earned and Rates Paid. The following table shows for the periods indicated the total dollar amount of interest from average interest-earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates, and the net interest margin. Tax-exempt income and yields have not been adjusted to a tax-equivalent basis. All average balances are based on monthly balances. Management does not believe that the monthly averages differ significantly from what the daily averages would be.

	June 30, 2017				2016			
	Average Balance	Interest	Average Yield/ Rate		Average Balance	Interest	Average Yield/ Rate	
	(Dollars in thousands)							
Interest-earning assets:								
Investment securities	$63,061	$1,093	1.73	%	$43,562	$774	1.78	%
Loans receivable(1)	312,132	15,763	5.05		287,405	14,628	5.09	
Interest-earning deposits	5,312	36	0.68		15,604	56	0.36	
Total interest-earning assets	380,505	16,892	4.44	%	346,571	15,458	4.46	%
Non-interest-earning assets	26,832				24,110			
Total assets	$407,337				$370,681			
Interest-bearing liabilities:								
Savings accounts	33,441	160	0.48	%	23,993	92	0.38	%
NOW accounts	34,701	189	0.54		35,797	283	0.79	
Money market accounts	45,615	147	0.32		47,953	149	0.31	
Certificate accounts	145,445	1,860	1.28		141,160	1,805	1.28	
Total deposits	259,202	2,356	0.91		248,903	2,329	0.94	
FHLB advances and other borrowings	47,272	447	0.95		30,698	281	0.92	
Total interest-bearing liabilities	306,474	2,803	0.91	%	279,601	2,610	0.93	%
Non-interest-bearing liabilities:								
Non-interest-bearing demand accounts	51,311				43,100			
Other liabilities	2,756				2,590			
Total liabilities	360,541				325,291			
Total stockholders' equity(2)	46,796				45,390			
Total liabilities and equity	$407,337				$370,681			
Net interest-earning assets	$74,031				$66,970			
Net interest income; average interest rate spread(3)		$14,089	3.53	%		$12,848	3.53	%
Net interest margin(4)			3.70	%			3.71	%
Average interest-earning assets to average interest-bearing liabilities			124.16	%			123.95	%

(1) Includes loans held for sale. .
(2) Includes retained earnings and accumulated other comprehensive loss.
(3) Interest rate spread represents the difference between the weighted-average yield on interest-earning assets and the weighted-average rate on interest-bearing liabilities.
(4) Net interest margin is net interest income divided by net average interest-earning assets.

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Rate/Volume Analysis. The following table describes the extent to which changes in interest rates and changes in volume of interest-related assets and liabilities have affected Home Federal Bancorp's interest income and interest expense during the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (change in volume multiplied by prior year rate), (ii) changes in rate (change in rate multiplied by current year volume), and (iii) total change in rate and volume. The combined effect of changes in both rate and volume has been allocated proportionately to the change due to rate and the change due to volume.

	2017 vs. 2016 Increase (Decrease) Due to			2016 vs. 2015 Increase (Decrease) Due to		
	Rate	Volume	Total Increase (Decrease)	Rate	Volume	Total Increase (Decrease)
	(In thousands)					
Interest income:						
Investment securities	$(28)	$347	$ 319	$(61)	$ (161)	$ (222)
Loans receivable, net	(124)	1,259	1,135	(54)	920	866
Interest-earning deposits	17	(37)	(20)	16	26	42
Total interest-earning assets	(135)	1,569	1,434	(99)	785	686
Interest expense:						
Savings accounts	32	36	68	37	21	58
NOW accounts	(85)	(9)	(94)	10	45	55
Money market accounts	5	(7)	(2)	(5)	13	8
Certificate accounts	--	55	55	(130)	104	(26)
Total deposits	(48)	75	27	(88)	183	95